



**Você, sem fronteiras.**

A conceptual image showing four blue-skinned men in black suits working together to move a large, dark blue rectangular block. One man is on top of the block, another is pushing from the right side, and two others are pushing from the bottom left and right corners. The background is a solid light blue.

**TIM Participações**

**Sustainability  
Report  
2009**



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# Message from the Board



Blue Man Group

"To be close to our customers, offering innovative connectivity possibilities, focusing on their different expectations and requirements and contributing as an agent of social progress through sustainable management". This is TIM's new mission, reformulated in early 2009, and based on which we have renewed our portfolio of services and we now offer our customers new ways of communicating more while spending less through our Infinity and Liberty plans. Our Infinity DDD plan has contributed to social inclusion, allowing long-distance calls to be made at a low cost.

Our concerns with social inclusion have also been confirmed with the increase of TIM coverage in less populous locations and, therefore, of low economic return. In 2009, we expanded our coverage to 188 municipalities where there was no Personal Mobile Service (SMP) coverage.

The year was marked by our Company's inclusion in the Corporate Sustainability Index of the BM&FBOVESPA for the second year in a row, in addition to our efforts to constantly strengthen our increasingly positive relationship with our customers. We strive to better understand their needs, and we have made significant progress in terms of the quality of our service, since we understand this to be a matter of priority. We are engaged in continuously improving our quality indicators, a movement reflected in the TIM network quality index measured by Anatel. Thus, we have managed to find the answers that were necessary for us to resume our growth trajectory, and most importantly, to do this in line with the desired profitability.

We are aware that our sector is part of the solution to face the dilemmas of economic growth, bearing in mind the environmental limits. By increasing the offer of services that change people's mobility patterns, such as the Infinity call, which enables low-cost long-distance calls, the need for commuting is reduced, meaning lower emissions of CO<sub>2</sub>, one of the greenhouse gases responsible for global warming.

We are also aware of the potential negative impacts of our business segment, such as residue derived from the high turnover of cell phones or the debate over electromagnetic emissions from Base Transceiver Stations (BTS). Therefore, we have launched out a new offer based on the sale of separate SIM cards, thus increasing the duration of the cell phone replacement cycle. Likewise, we have been investing in sharing networks with other operators and in alternative ways of sharing sites so as to reduce the environmental impact of our access networks.

Last year was a year of progress in terms of how we operate in relation to the scenario of climate changes, by including new activities on the carbon inventory and our entry to the Empresas pelo Clima (Companies for Climate) program, a voluntary initiative under the coordination of the Center for Sustainability Studies of the Getúlio Vargas Foundation (FGVCes), a platform that brings together industry leaders concerned with global climate matters and their effects.

Blue Man Group

Most goals set by our Company in the previous report were attained or exceeded, with environmental targets worthy of particular note. We also began to calculate eco-efficiency in energy, which takes into account the energy spent in offering our customers voice and data services. Yet another important step for reducing our environmental impact was the eco-efficiency pilot project, Power Saving, in partnership with Ericsson, which enables more intelligent energy management of our network area. This pilot project was held at two BTS, producing average savings of 6.2% of the energy consumed, equivalent to savings of 5,200 kWh in one year.

In 2009, we gave our consumers the opportunity to make more conscientious choices by launching a range of cell phones with lower environmental impact. When communicating with users, our environmental concerns included new paper for printing billing statements, which are now printed on paper certified by the FSC (Forest Stewardship Council), and information about battery collection programs on the billing statements themselves. Internally, we created sustainability programs on @aula TIM, a company e-learning tool available to all of our employees, in order to internally expand sustainability concepts.

The year also focused on social investment. The focus of TIM Música nas Escolas (Music at Schools) – the major project created in 2003, whose lifecycle will come to an end in 2011 and which has already benefited over 20,000 students in public schools in 13 Brazilian cities – was the development and coming to fruition of Brazilian orchestras created in seven cities. We also supported public interest programs by using our technology. In April, TIM was the only operator to support the action for defining the Human Development Report theme to be included in the United Nations Development Program (UNDP) about Brazil via SMS. In July, TIM encouraged its customers to make donations to flood victims in Brazil's North and Northeast via SMS. Once more in 2009, the Company kept its support to the principles of Global Compact, a voluntary initiative of the United Nations, of which the TIM is a signatory since 2008.

This is the path we followed during 2009, with the aim of reconciling our operations with the environmental and social matters around us and which will become even more present in years to come.

Among our challenges for 2010, there is the commitment made with the Consumer Protection and Defense Department to reduce by 25% the legal actions initiated at Brazilian Consumer Protection Offices. TIM is committed not only to achieving such goal, but most importantly, to transforming its telephone service into a competitive-edge model in the market.

We will continue to keep track of market speed without losing sight of this long-term vision which is implied in everyone's effort at a more sustainable development.

We are confident that, with the participation of our stakeholders, we will be able to add technology, competence and creativity potential to continue resolving both sides of this equation successfully.



Luca Luciani  
CEO of TIM Brasil

# Overview of 2009



## Our Sustainability Model

Underlying our work is the conviction that our company should carry out its business taking into account the needs of our interested parties, as we believe that it is fair to do so from an ethical point of view, which is why we are convinced that this is the only manner by which our business will prevail over time.

TIM's aim is to achieve balance among the three dimensions below, bearing in mind both current needs and those of future generations:

- **Economic sustainability** seeks to maintain capital while increasing it. The creation of value is sustainable over time if we are able to actually integrate the expectations of the context in which we operate, while at the same time attaining our economic goals.
- **Environmental sustainability** demands responsible management of natural resources (raw materials and energy) and of the waste created by manufacturing processes, so as to maintain balanced ecosystems.

- **Social sustainability** is based on the “equity principle” manifested by observing the human and civil rights of all citizens, access to opportunities for development and participation in decision-making, taking into account both current requirements and those of future generations.

As a subsidiary of the Telecom Italia Group, it has been giving us a relevant example since 1997, when the question of sustainability was first broached as part of its management strategy, later to become part of the most important sustainability indices in the global market. We have also strived to follow this path in Brazil, so as to develop this same type of culture within the Organization.



## Our efforts in 2009



In the *2008 Sustainability Report* we committed to attaining a set of ten goals, six of which were exceeded, the other four not being attained. The two boxes below render account of these results, while a breakdown of the actions during the year is given in the respective sections of the report.

### Goals attained:

AREA	INDICATOR	MEASURE	DECEMBER 2008	2009 GOAL	DECEMBER 2009
HUMAN RESOURCES	TRAINING — MANAGERS PARTICIPATING IN AT LEAST ONE TRAINING SESSION IN SUSTAINABILITY-RELATED THEMES	%	1	47	73
HUMAN RESOURCES	COVERAGE OF THE TRAINING (PERCENTAGE OF EMPLOYEES PARTICIPATING IN AT LEAST ONE TRAINING PROGRAM)	%	95.2	95.2	98
ENVIRONMENT	TO REDUCE THE QUANTITY OF PAPER ACQUIRED FOR OFFICE USE	%		2.1	11
ENVIRONMENT	TO INCREASE THE PERCENTAGE OF RECYCLED WASTE OVER TOTAL WASTE GENERATED IN THE OFFICES	%	41	43	49
ENVIRONMENT	TO INCREASE THE COLLECTION OF OUT-OF-USE CELL PHONES, BATTERIES AND OTHER ACCESSORIES	TON	10	11	19
SUPPLIERS	SUSTAINABILITY EVALUATION INDEX FOR OUR PRINCIPAL SUPPLIERS	%	0	30	90

### Goals which were not attained:

AREA	INDICATOR	MEASURE	DECEMBER 2008	2009 GOAL	DECEMBER 2009	REMARKS
HUMAN RESOURCES	EMPLOYEE SATISFACTION SURVEY	SCORE ON THE SCALE OF 0 TO 1 (SIC)	7.36	7.5	-	THE SATISFACTION SURVEY WAS NOT CARRIED OUT IN 2009 BY TELECOM ITALIA IN ANY OF THE COUNTRIES WHERE IT OPERATES
HUMAN RESOURCES	REDUCTION IN TURNOVER	% MONTH	2.8	2.2	2.5	IN SPITE OF THE REDUCTION IN RELATION TO 2008, THE GOAL WAS NOT ATTAINED BECAUSE OF THE OUTSOURCING PROCESS OF OWN STORES, WHICH INVOLVED A SIGNIFICANT NUMBER OF DISMISSALS
HUMAN RESOURCES	REDUCTION IN ABSENTEEISM RATE	%	3.4	3.2	4.3	THE GOAL WAS NOT ATTAINED BECAUSE OF THE OUTSOURCING PROCESS OF OWN STORES, WHICH INVOLVED A SIGNIFICANT NUMBER OF DISMISSALS AND REDUCED THE BASE HEADCOUNT FOR CALCULATING ABSENTEEISM WITHOUT A PROPORTIONAL REDUCTION IN THE NUMBER OF DISMISSED EMPLOYEES
HUMAN RESOURCES	TRAINING — TOTAL NUMBER OF HOURS IN THE DIFFERENT MODALITIES	NUMBER OF HOURS	732,815	715,000	456,606	THE PRIORITY FOR 2009 WAS INVESTMENT IN TRAINING, WHICH WOULD HAVE A DIRECT IMPACT ON THE YEAR'S BUSINESS RESULTS

For the second year in a row, we were chosen to be part of the portfolio of the BM&FBOVESPA Corporate Sustainability Index (ISE), which meant that we had to improve several of our activities, besides opening new action fronts, so as to meet the growing demands on those wishing to remain within this select group of companies.

We began preparing for the implementation of another important management instrument, namely the ISO 14001 Environmental Management Standard, a process we intend to conclude during 2010.

And we will continue developing a set of actions focused on each of the stakeholders with whom we interact most.



## Customers

### Customer service

Customer satisfaction is the Company's priority. With this in mind, we brought about several improvements during the year, including:

- Reformulation of the Customer Satisfaction area, which now reports directly to the Company's CEO;
- Enhancement of the user service models;
- Changes in the sales area, involving the Consumer, Business and Top Customers segments; and
- Development and maintenance of the direct and indirect commercial channels.

In the network area, service quality attained 100% of the standard required by Anatel, showing our commitment to assuring our customers of high quality, even in the face of solid traffic growth resulting from our strategy focused on MOU (minutes of use).

### Customer-focused plans: talk more for less

*"Our focus is on optimizing resources and renewing the portfolio of offers in a segmented manner, with tailor-made services. Customer satisfaction underpins our strategy".*

Luca Luciani, CEO of TIM Brasil, at the launch of the new positioning campaign.

TIM is aware that the use of its services contributes to advancing sustainability in several manners such as changing society's mobility pattern, enabling, for example, optimization of commuting and journeys, while facilitating direct contacts between buyers and sellers in remote locations. It also encourages flexible schedules and working from home or any other location.



The year 2009 was marked by the renewal of our portfolio of services, within the scope of rendering increasingly affordable services, especially voice services, in line with the demands expressed by customers through our various dialogue channels. On account of the base of over 40 million customers in Brazil, new plans build on the concept of community (TIM-to-TIM calls, including free roaming).

The list of plans in 2009 is significant, and includes the pre-paid, post-paid and corporate segments.

### **Infinity**

*Infinity* plans are based on the concept of paying only for the first minute of calls in local calls to any TIM mobile or land line number and at any time, which resulted in over 17 million pre-paid users joining this plan in 2009.

### **Da Vinci**

Intended for high-consumption customers, the *Da Vinci* plan offers unlimited services, including local calls, domestic long-distance calls, video calls, SMS and Internet. It offers specialized service and options of top-of-the-line devices.

### **Access to e-mail from any cell phone**

TIM *RingEmail* permits access to electronic messages on conventional cell phones from anywhere and without the need to use a smartphone or purchase a browsing package. Developed in partnership with the companies Retis (Italy) and Clearhub (Singapore), the service enjoys unlimited use against payment of a weekly fee.

### **More for less in International Roaming too**

The First Call Free plan offers post-paid customers a zero-tariff first call in international roaming in any of the countries with which TIM has an agreement. Pre-paid customers also enjoy a single per-minute tariff for receiving or making international calls, representing savings of 34% in relation to previous tariffs. And they can access the Internet, e-mails, SMS and MMS.

TIM has also created educational content with hints intended for smartphone users traveling abroad, providing information about optimizing use of the data international roaming service. Around 30% of TIM customers who access international roaming use smartphones. The guide is available on the site [www.tim.com.br](http://www.tim.com.br), on the *Cobertura* (Coverage) and Roaming pages.

### **Benefits also for Corporate Plans**

#### **TIM Único**

TIM Único is a services plan for micro and small companies, which offers a single economic tariff for calls made to any operator's mobile and land line numbers, regardless of the duration of the call and the destination. The customers pay for what they use, with no monthly commitment, and with free service options that enable savings on calls during more frequent activities.

#### **Empresa Simples**

This is a complete and integrated offer of mobile and fixed telephony plus Internet in a single invoice, with a contact and service point. It affords corporate customers convenience and simplicity, especially small and mid-size companies.



Motorola W233



Motorola – Motocubo\_A45



### Bringing in new technologies

TIM once more pioneered in important launches, bringing Brazilian customers first-hand the greatest benefits -hand of advanced mobile communication technology.

#### Devices with a low environmental impact: Samsung Solar, Motorola W233 and MOTOCUBO A45

#### What would you change in the world of technology to save the planet?

Answer: I'd create a cell phone that could be recharged by (inertial) movement, like antique clocks.

It would automatically recharge with the user's movement, thereby saving energy and reducing emissions of carbon dioxide into the atmosphere.

#### One of the answers from the phrases competition promoted in partnership with Motorola at the launch of the W233

In 2009, we began marketing the "eco line" products, an option for customers wishing to make conscientious choices and care for the environment. Together with *Samsung* we launched the *Samsung Solar* (E1107), the first device with a solar energy rechargeable battery, in addition to the *MOTOCUBO A45* and the *Motorola W233 Eco*, devices produced from PET recycled materials and carbon-neutral certified. The *Motorola W233* battery has a longer working life than others, thus reducing energy consumption. And through the partnership with *Carbonfund.org*<sup>TM</sup>, *Motorola* is responsible for offsetting all

the carbon issued in the manufacture, distribution and use of cell phones, with investments in projects for protecting the environment and reducing the impact of global warming. The *MOTOCUBO A45* device was designed for young people connected in social networks and who are concerned about the planet.

#### TIM PDV – Recarga Online

This is an online recharging system activated from the cell phone itself, which uses TIM GSM network and thus dispensing with physical cards. Besides facilitating customers' lives, it helps preserve the environment by reducing the consumption of plastic and paper. Continuity of the project has enabled a reduction of 45% in the production of traditional plastic cards since it was implemented in August 2008, thereby avoiding the production of over 32 million re-load cards in 2009.

#### Android-based Smartphones

In 2009 we launched the *Samsung Galaxy* and the *HTC Magic*, the first Android-based models permitting fully integrated access to *Orkut*<sup>TM</sup>, *Gmail*<sup>TM</sup>, *Google Search*<sup>TM</sup>, *Google Maps*<sup>TM</sup>, *Google Talk*<sup>TM</sup> and *YouTube*<sup>TM</sup> services.

#### Windows Phone

TIM was the first operator to sell this category of product, with the launch of the *Samsung Omnia II*, *HTC Touch 2* and *LG GW550* smartphones. These Windows Phones running *Microsoft* operating system functionalities connect information and applications in an integrated manner.



## Suppliers

In 2009, we took two important steps in our relations with our suppliers. Firstly, the approval of a new policy covering the Relationship with Suppliers in the Purchasing Process, incorporating requisites of competitiveness, quality, safety and social and environmental responsibility of the goods and services acquired, in addition to the continuous improvement of the Company's relationship with its suppliers.

This policy encourages aspects like business ethics, transparency and endorsement of the 10 Global Compact principles. In addition, there is an explicit commitment by the Company to sustainability by means of respect for workers' rights and the management of environmental impacts.

Another important factor was the start of the process for evaluating our principal suppliers in sustainability-related matters, for the purpose of strengthening mutual commitments to the Relationship Policy, while identifying opportunities for joint progress. By the end of 2009 we had evaluated 90% of the principal suppliers selected by the Company in sustainability-related matters.

Continuity of the project (TIM PDV) has enabled a 45% in traditional plastic cards since their implementation in August 2008, thereby avoiding the production of over 32 million re-load cards in 2009.

## Environment

In a year in which climate change was debated on a planetary scale, we reaffirmed our commitment to the theme by joining the *Empresas pelo Clima* (EPC) (Companies for Climate) program, a voluntary initiative coordinated by the Center for Sustainability Studies of the Getúlio Vargas Foundation (FGVCes). It brings together industry leaders concerned with global climate matters and their effects.

We included new activities in our carbon inventory based on the *Greenhouse Gas Protocol (GHG Protocol)* methodology, and it is our intention to cooperate in discussing the theme and in undertaking actions to reduce emissions of greenhouse gases.

We began testing the *Power Saving* project, which reduces energy consumption in mobile networks. The new software calculates the requirements of equipment connected to a single BTS, turning it off or on again according to the demand for TIM services in the location. Tests revealed average savings of 6.2% of energy consumed (at two BTS).

In 2009, TIM also began calculating the Company's eco-efficiency in energy, which takes into account the energy consumed, with the aim of managing its operations so that the proportion of energy consumed (joules) to voice and data traffic is increasingly greater.

When communicating with users, our environmental concerns were evident in the new FSC-certified paper for printing invoices, which now carry information about battery recovery programs.



## Internal Public

Several important milestones were achieved in 2009. One thousand, eight hundred employees were promoted and we offered full-time employment to 30% of the interns. Over 40% of our employees saw their salaries rise and we distributed new, more modern employee devices with leading-edge technology. We provided in-class or online training to 98% of the team, while 73% of our managers attended the sustainability training module.

We sought to innovate in the field of education by introducing two novelties, like training in partnership with Harvard University (USA) intended for sales executives and involving negotiation and decision making, and the undergraduate program in business management for employees of the Customer Relationship Center (CRC).

Diversity has become even more important with the new version of the practices in hiring, which have been updated on account of the new Social Responsibility Policy involving our personnel. These practices recognize that diversity is a value to be promoted in all their relations and that discrimination must be fought in workplace relations. It also encourages the adoption of a posture of respect and valuing differences, believing in diversity as a means of maintaining a healthy working environment and the Organization's competitive position.

One thousand, eight hundred employees were promoted and we offered full-time employment to 30% of the interns. Over 40% of our employees saw their salaries rise and we distributed new, more modern employee devices with leading-edge technology.

## Community

### Brazil End-to-End – Human Development Report

The Brazil End-to-End campaign carried out in 2009 by the United Nations Development Programme (UNDP), with the support of TIM, sought to foster debate about what has to change in Brazil in order to improve people's lives. This was an open consultation with society regarding the choice of the theme for the Human Development Program in Brazil – 2009/2010 developed by the UNDP.

According to the final report prepared by the UNDP about the project, the partnership with TIM was a natural one due to the fact that human development forms the base underlying the Company's social actions. The use of text messages (SMS) with the question "What needs to change in Brazil for your life to really improve" arose as a possibility of reaching individuals who otherwise would not have had access to the campaign. Eight million, nine hundred thousand text messages (SMS) were sent to TIM customers throughout Brazil.



Brazil Ponto a Ponto Project – photo by Gustavo Pelizon

## Other TIM campaigns in 2009 using SMS as an instrument of social action with its customers.

ACTION	PARTNER	SENT	TEXT OF THE SMS	AIM
UNITED NATIONS ORGANIZATION DAY (UN) (OCT 24)	UN	7,207,366	WHAT ARE YOU DOING FOR THE ENVIRONMENT? TELL THE UN. ACCESS <a href="http://WWW.ONUVERDE.ORG.BR">WWW.ONUVERDE.ORG.BR</a> AND TAKE PART. SUPPORTED BY TIM	SENDING OF SMS TO DISCLOSE THE ANNIVERSARY OF THE UN AND TO ENCOURAGE PARTICIPATION BY SOCIETY VIA THE <i>ONU VERDE</i> (GREEN UN) SITE.
OPENING OF THE COPENHAGEN CONFERENCE	UN	9,516,505	IN COPENHAGEN THEY ARE GOING TO DECIDE THE FUTURE OF THE PLANET. AND YOU. WHAT ARE YOU DOING FOR THE ENVIRONMENT? TELL THE UN. ACCESS <a href="http://WWW.ONUVERDE.ORG.BR">WWW.ONUVERDE.ORG.BR</a> AND TAKE PART.	SENDING OF SMS TO DISCLOSE THE OPENING OF THE COPENHAGEN CONFERENCE AND TO ENCOURAGE PARTICIPATION BY SOCIETY VIA THE <i>ONU VERDE</i> (GREEN UN) SITE.
SOS NORTE E NORDESTE (SOS NORTH AND NORTHEAST)	CÁRITAS BRASILEIRA	1,680,678	SOS NORTE E NORDESTE (SOS NORTH AND NORTHEAST) SEND "DOAR" (DONATE) TO 9696 AND CONTRIBUTE TO HELPING THE VICTIMS OF THE FLOODS IN THE NORTHERN AND NORTHEASTERN REGIONS OF BRAZIL. COST P/ MESSAGE: R\$0.99 + TAXES.	CREATION OF A DONATIONS CHANNEL SO THAT CUSTOMERS FIND IT EASIER TO DONATE IN CASES OF PUBLIC CALAMITY. SMS REVENUES (LESS TAXES) ARE TRANSFERRED TO THE BENEFICIARY INSTITUTION.

***TIM Música nas Escolas (Music at Schools)***

TIM proceeded with socio-educational projects like *TIM Música nas Escolas* (Music at Schools), which encourages social inclusion of children and adolescents through the language of music. The project, created in 2003, has already benefited over 20,000 students in public schools in 13 Brazilian cities, and is focused on the development and maturation of the Brazilian orchestras created in seven cities.

The year 2009 was marked by the show by the Orchestra of Minas Gerais with the "Clube da Esquina" (the Corner Club, a group of Brazilian music artists from the Brazilian State of Minas Gerais), the Meeting of the Orchestras of Rio and São Paulo in the Ibirapuera Auditorium, in addition to the recording of the CD featuring the young people of Rio and Belém.



Brazilian Orchestra of Rio de Janeiro composed of students from the TIM Música nas escolas project

## Government and Society

In 2009, together with Anatel, we participated in several public consultation processes regarding the expansion of telecommunications services. We also participated in the organizing committee and the technical studies of the First National Conference on Communication (CONFECOM), promoted by the Ministry of Communications, so as to draft a National Communications Policy. And we were part of the study group of that Ministry in drafting proposals for consolidating the National Broadband Plan.

Along with Anatel we also participated in public consultation processes that began in 2009, involving the publishing of the new plan of targets for universalizing telecommunications services; implementation of the National Rural Telecommunications Program and the allocation of new bands to provide the population with access to telephony and broadband data services of public interest.

## Telemedicine

With the aim of participating and collaborating with the drafting of public policies, we entered into a partnership with the Rio de Janeiro City Administration to implement the Telemedicine program, which combines Internet connection and TIM mobile telephony. Using the TIM *MyDoctor@Home* platform created by Telecom Italia, electrocardiograms carried out at Health Units are transmitted to cardiologists at the Miguel Couto Hospital, where they can issue opinions at a distance and share the results with the team at the Units.





# Commitments for 2010



Blue Man Group

For 2010, we have maintained several goals established in last year's Sustainability Report, seeking to consolidate these as Company practices, in addition to including new objectives.

AREA	INDICATOR	UNIT OF MEASUREMENT	DEC/09	2010 TARGET
HUMAN RESOURCES	ONE DAY OFF FOR THE EMPLOYEE WHO VOLUNTARILY PARTICIPATE IN THE PROGRAM "CITIZEN WITHOUT BORDERS."	% (OWN PERSONNEL)	-	1
HUMAN RESOURCES	TRAINING (TOTAL HOURS) IN THE CLASSROOM + ONLINE + ON THE JOB	NUMBER OF HOURS (OWN PERSONNEL, INTERNS, THIRD PARTIES)	456,606	715,000
HUMAN RESOURCES	TRAINING – COVERAGE (NUMBER OF PEOPLE TAKING PART IN AT LEAST ONE TRAINING SESSION)	% (OWN PERSONNEL)	98	97
HUMAN RESOURCES	TRAINING – SUSTAINABILITY (NUMBER OF PEOPLE PARTICIPATING IN AT LEAST ONE TRAINING SESSION ON SUSTAINABILITY MATTERS)	% (OWN PERSONNEL, INTERNS, THIRD PARTIES)	-	20
ENVIRONMENT/ WASTE	PERCENTAGE OF RECYCLED WASTE OVER TOTAL WASTE GENERATED IN THE OFFICES	%	49	51
ENVIRONMENT / ENERGY	REDUCTION IN ENERGY CONSUMPTION IN THE OFFICES	kWh	-	1,000,000
ENVIRONMENT / WATER	REDUCTION IN WATER CONSUMPTION IN THE OFFICES	m <sup>3</sup>	-	2,400
ENVIRONMENT / BATTERIES	COLLECTION OF OUT-OF-USE CELL PHONES, BATTERIES AND OTHER ACCESSORIES FOR RECYCLING	TON	19	12
SUPPLIERS	NUMBER OF SUPPLIERS EVALUATED IN SUSTAINABILITY-RELATED MATTERS	No.	26	70



# Organizational Profile



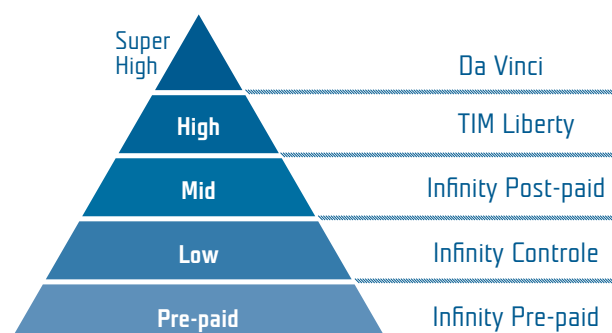
Blue Man Group

TIM Participações S.A. – TIM – is a holding company headquartered in Rio de Janeiro, providing telecommunications services throughout Brazil through its subsidiaries, TIM Celular S.A. and Intelig Telecomunicações Ltda. The Company's Brazilian operations began in 1998 and it consolidated itself as a Brazilian company as of 2002, becoming the first mobile operator to be present in all states of Brazil.

TIM functions as a mobile and fixed long-distance telephony and data transmission services operator, always focusing on the quality of the services rendered. Using GSM technology, its national reach is approximately 94% of the urban population, with the largest GSM coverage in Brazil, and presence in 2,958 cities. It also has extensive data coverage throughout the country, of which 100% with GPRS and 77% with EDGE, in addition to a sophisticated Third Generation (3G) network available to over 30% of the urban population. The Company also has international roaming arrangements for TIM customers. There are over 430 networks available in over 200 countries on six continents, and a 23.6% share of the Brazilian mobile telephony market.

The TIM brand is strongly associated with the attributes of innovation and quality. Throughout its trajectory in Brazil, it has become a pioneer in launching a variety of products and services, like introducing MMS (Multimedia Messaging Service) and the Blackberry in Brazil. Continuing this trajectory, the Company renewed its portfolio of offers in 2009, seeking to position itself as the operator providing *"Planos e Promoções que Revolucionam"* (Breakthrough Plans and Promotions). TIM launched two families of plans – Infinity and Liberty, in addition to the sophisticated *Da Vinci* plan. The new portfolio is based on an innovative concept that strongly encourages use (charging per call, unlimited use) while always exploring the TIM community concept, which entails over 40 million lines throughout Brazil.

## STRUCTURE OF THE PLANS FOR INDIVIDUAL SERVICES



TIM Participações is a company controlled by TIM Brasil Serviços e Participações S.A., a subsidiary of the Telecom Italia Group. Innovation and quality are two of the strategic pillars it shares with its parent company. To do so, it makes substantial investments in networks and IT, building synergies with its controlling group by sharing experiences and adopting policies of best practices, always assuring all its customers of innovative experiences. At the end of 2009, the company had 10,140 employees, of whom 9,231 were own staff.

In December 2009, the Company concluded the process of 100% merger with Intelig, which operates as a provider of long-distance land-line telephony and data transmission in Brazil. Announced in April of the same year, the merger will enable TIM to expand its network infrastructure, reducing expenses with leasing of means, accelerating the development of the 3G network and improving the Company's competitive positioning in the telephony market.

TIM Participações is a publicly-held company with shares listed on the São Paulo Stock Exchange and ADRs (American Depositary Receipts) traded on the New York Stock Exchange (NYSE). The Company is also a member of a select group of companies comprising the ISE (Corporate Sustainability Index) portfolio of the BM&FBOVESPA.

	COMMON	%	PREFERED	%	TOTAL	%
<b>TIM BRASIL</b>	<b>650,537,118</b>	<b>77.14</b>	<b>990,098,812</b>	<b>60.65</b>	<b>1,640,635,930</b>	<b>66.27</b>
OTHERS	192,744,359	22.86	642,354,771	39.35	835,099,130	33.73
<b>TOTAL</b>	<b>843,281,477</b>	<b>100.00</b>	<b>1,632,453,583</b>	<b>100.00</b>	<b>2,475,735,060</b>	<b>100.00</b>

For more information, see also the Annual Report and the company's consolidated financial statements.

### Awards received in 2009

Top Nikkey 2009 Award – Londrina (State of Paraná)  
 Award for Largest Payer of ICMS/ISS Tax (Brasília)  
 2009 Best Bronze Store Award  
 2009 Wall tile Award (State of Maranhão)  
*Correio de Uberlândia*/State of Minas Gerais newspaper  
 Top of Mind Award (“cellular telephony” category)  
 CE 2009 Taxpayers Award (State of Ceará)  
 Paraná Top of Mind Award 2009

University Top of Mind Award  
 Maringá Top of Mind Award 2009 (State of Paraná)  
 Londrina Top of Brands Award 2009 (State of Paraná)  
*Ímpar* Magazine Award (State of Santa Catarina)  
*Empreendedor* Magazine Award (State of Santa Catarina)  
 Entrepreneur José Paschoal Baggio Award  
 (State of Santa Catarina)  
 Award – The companies showing most respect for consumers in  
 Brazil (*Consumidor Moderno*)



# Parameters for the Report



Blue Man Group

For the second year in a row, the TIM Sustainability Report is using the Global Reporting Initiative (GRI) model. By adopting an international reference like the GRI when reporting our economic, social and environmental activities, it is our intention to provide consistent, transparent and complete information to our stakeholders as a whole. Our intention is for this information to increasingly strengthen dialogue channels with these stakeholders, which we have grouped into eight categories: customers, suppliers, competitors, civil society organizations, the environment, the community, our internal public and our shareholders.

The document covers the period from January to December 2009 and refers to the activities of TIM Participações S.A. and its subsidiary, TIM Celular S.A. However, data in this report does not encompass the data for the new subsidiary, Intelig, with the exception of the Value-Added Statement and the amounts for Net and Operating Revenues (iBase table) which include Intelig's results for the month of December in the calculation. Next year the report will include all Intelig data.

The previous Sustainability Report for 2008 attained the G3: B GRI – Checked level, that is, it presented B level reporting of the G3 GRI indicators and was verified by GRI itself.

The data disclosed herein was collected on a quarterly basis by different Company's areas involving 17 different data nuclei and 47 people. By so doing we were seeking a process of continuous improvement in the quality of the information and a wider degree of involvement in these topics within the Company's different departments.

The Sustainability Report is being published as a separate document comprising the TIM Annual Report as a whole. With the aim of making reading easier while integrating the information between the two documents, there are several clearly indicated points in this Sustainability Report which refer to data published in the Annual Report.

This Report was assured a limited review by Ernst & Young, an independent institution which took into account the directives determined by GRI G3 in its analysis of 27 indicators.

Questions regarding the content of this document should be forwarded to Fernanda Rodrigues de Macedo at the Sustainability Department.

[fmacedo@timbrasil.com.br](mailto:fmacedo@timbrasil.com.br) / Cell phone: 55 21 8113-6050  
Telephone: 55 21 4009-3302



### Materiality – definition of the relevant matters to be reported

On account of the Materiality Survey used in the 2008 report having been carried out between the end of 2008 and early 2009, its data also served as a reference for this Report.

The survey conducted by BSD was a structured process for mapping and consulting the stakeholders considered strategic by the organization, and was made up of several activities: choosing the stakeholders, open telephone interviews with them, drafting of a list of material matters and matters to be included in the questionnaire, distance application of the materiality questionnaire (via e-mail), consolidation of the results and preparation of the materiality matrix. These activities complied with the directives and principles of GRI G3, so as to construct the materiality matrix for defining the relevant matters to be reported.

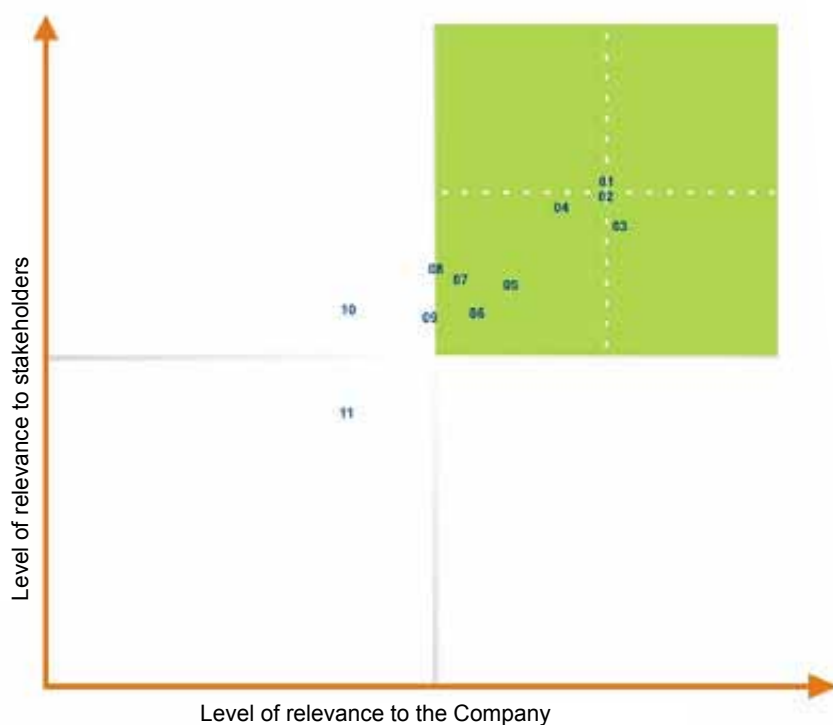
Twenty-two open interviews were held with officers, managers and employees representing 19 company areas; and 21 interviews were held with representatives of external stakeholder groups. Interviewees were able to expose different positive and negative views and opinions about TIM, providing elements for identifying the significant topics and subject matters. These themes were listed in the questionnaire sent to participants, so that they could classify them according to their relevance – Very High, High, Medium and Low – in order to construct a materiality matrix, that is, rank the themes identified in order, taking into account both the priorities set by the Company management regarding relevant matters to the sustainability of the business, and the perception of the external stakeholders consulted on these same themes.

The materiality matrix is composed of two axes: the Company's perspective and the perspective of the stakeholders, including the internal public (not involved in management), customers, suppliers and distributors. Thus, when applying the questionnaire for classifying the topics, the internal public was divided into two groups – the representatives of the management and the Sustainability Area, with nine participants, and the other employees with 14 participants, whose opinions were taken into account together with those of the other stakeholders. In regard to the external public, the questionnaire was applied to the same group of 21 stakeholders that participated in the open interviews.

As a result of this process, 11 key themes were identified, the so-called principal subjects. (*see the table below*)

In this report we have sought to present the positions and the treatment given by the Company to each topic indicated, in the sections on Economic, Social and Environmental Performance. However, it is our understanding that taking advantage of the materiality matrix goes much further and serves as a guide for us to enhance our performance and relationship with the different publics from the sustainability perspective.

#### Materiality Matrix:



#### Main subjects

- 01 – Economic Performance
- 02 – Customers Relationship
- 03 – Human Rights
- 04 – Corporate Governance
- 05 – Human Resources
- 06 – Environment
- 07 – Suppliers and Distributors
- 08 – Public Regulation – ANATEL
- 09 – Products
- 10 – Community Relationship
- 11 – Health and Safety

# Governance, Commitments and Engagement



Blue Man Group

TIM Participações is managed by a Board of Directors and an Executive Board and supervised by a Fiscal Council, which also performs the role of Audit Committee. There are two advisory committees to the Board of Directors composed only of members of the Board, namely the Internal Control and Corporate Governance Committee and the Remuneration Committee. Both were created at a meeting of the Company Board of Directors. The Executive Board is the Company's representative and executive management body. It is composed of five members elected for a two-year term of office. The Company conducts its business in good faith and with loyalty and veracity, in addition to relying on four major general principles:

- (I) freedom of decision;
- (II) access to information;
- (III) equality of treatment; and
- (IV) transparency.

TIM Participações has a Policy on the Disclosure and Use of Information and Securities Trading, as provided for by the *Comissão de Valores Mobiliários* (the Brazilian Securities Commission – CVM), with which management has been compliant by means of an instrument of adhesion. As part of this policy, a code of conduct has been established by which all employees must abide, and includes themes like access to privileged information, in addition to the imposing of restrictions on trading in the Company's securities during certain periods.

## Board of Directors

The Board of Directors, the collective decision-making body, exercises the senior management of the Company. It is composed of nine members, with a term of office until the General Shareholders' Meeting to be held in 2011. Mario Cesar Pereira de Araújo resigned from the position of CEO of TIM Brasil in early 2009, after six years in office, to take up the position of chairman of the current Board of Directors.

The duties and responsibilities of the members of the board are determined under Brazilian legislation, by the Company's bylaws and by the internal regulations of the Board of Directors. All decisions are registered in minutes.

The Board usually convenes once a quarter and extraordinarily when called by its chairman, by any two officers or by the Chief Executive Officer. The Chairman of the Board may invite other members of the Executive Board, other executives and third parties to participate in the meetings, and they can contribute with opinions or recommendations involving the subject matters to be resolved on; however, these invitees are not entitled to vote.

None of the members of the Board of Directors or of the Executive Board was the owner or beneficiary of 1% or more of the Company's common or preferred shares at the end of 2009.



The audit committee, whose attributions are performed simultaneously by the fiscal council installed and in operation since 2004, comprises independent professionals recognized by the market and who have no other relationship with the Company. Of the five members of the fiscal council, one is obligatorily elected by holders of preferred shares, one can be elected by minority shareholders, provided they make up the quorum required by law, and the others are elected by the controlling shareholder.

It is incumbent on the fiscal council to independently monitor the actions of the Executive Board and to verify that they are complying with their legal duties and the bylaws; provide opinions regarding the annual reports, business plans and management budgets; and to review and opine on the Company's financial statements.

The fiscal council/audit committee can receive reports of inappropriate conduct from any person, anonymous or otherwise, regarding accounting, internal accounting controls or audit matters. Section 7 of the Code of Ethics of the Telecom Italia/TIM Group protects any persons reporting violations from retaliation. The Annual Report of the fiscal council/audit committee to the General Shareholders' Meeting keeps a record of these events and how they are dealt with, maintaining secrecy regarding the names of whistle-blowers, except for those cases otherwise provided for in law.

Reports can be sent by mail or e-mail

comitedeauditoria@timbrasil.com.br

Address for correspondence:

Comitê de Auditoria/Auditoria Interna

Av. das Américas, 3434, Bloco 1, 7º andar – Barra da Tijuca  
22640-102 – Rio de Janeiro – RJ – Brasil

The remuneration of the members of the Board of Directors and the Executive Board is recorded in the minutes of the

organization's General and Special Shareholders' Meeting held on April 2, 2009, available on the site [www.tim.com.br/ri](http://www.tim.com.br/ri).

### Sarbanes-Oxley Act

In 2009, TIM received certification for compliance with the provisions required under Section 404 of the Sarbanes-Oxley Act for the year 2008, a demonstration of the Company's commitment to the highest levels of corporate governance.

### Disclosure Policy

We disclose the relevant facts of our activities in accordance with the terms of the Brazilian Securities Commission (CVM). The Company has a code of conduct in place which establishes clear rules to be followed by all employees with access to privileged information, in addition to imposing restrictions on trading in the Company's securities during certain periods.

### Shareholders' Rights

Each common share entitles its holder to a vote at the shareholders' meetings. Holders of preferred shares are not entitled to vote, but may participate or address the shareholders' meeting. One of the members of the fiscal council and their alternate are elected by a majority vote of preferred shareholders. Each shareholder enjoys preemptive rights on subscribing shares in any capital increase in proportion to their equity interest.

### Dividends Policy

The bylaws of TIM Participações allow for distribution of 25% of the adjusted net incomes to the shareholders, either as dividends or interest on shareholders' equity. The Company is also obligated to pay a non-cumulative preferred dividend in an amount equivalent to 6% of the capital stock divided by the total number of common and preferred shares, or 3% of shareholders' equity, whichever is greater. It is mandatory to maintain legal reserves, to which 5% of net income at the end of each fiscal year is added until the amount reaches 20% of capital. The annual dividend distribution is voted at the general shareholders' meeting.

## Mission. Vision. Ethics

In 2009, the review of the sustainability principles led us to reformulate the Company's mission and to implement a set of sustainability-related policies. The aim of these policies is to expand the Company's ability to deal with managing economic, environmental and social performance, in addition to better adjust it to the profile required of companies listed on the Corporate Sustainability Index (ISE) of BM&FBOVESPA.

In 2009, we re-thought the Company's mission so as to align it with the commitments and the strategic direction of our business, where sustainable management has become an indispensable variable.

### Our mission is:

To be close to the customer, offering innovative possibilities for connectivity, focusing on their different expectations and needs and contributing as an agent of social progress through sustainable management.

### Our vision is:

To be our customers' number one choice, offering innovative and high-quality services, and becoming a benchmark of profitability in the telecommunications market in Brazil.

## Internal Control Model

TIM Participações has adopted the 231 Organizational Model of the Telecom Italia Group, whether for preventing the personal responsibility of someone who commits a crime contemplated in the decree from spreading to the corporate entity, or as a necessary instrument for regulating internal processes in line with the principles of transparency, good standing and loyalty that guide the group companies.

The model is based on Italian Law No. 231/2001 on corruption in relations with public officials, and provides for severe sanctions for crimes committed for their own gain or interest by managers and employees/staff in their relationships with public officials.

## Code of Ethics

The Code of Ethics is the basis of our organizational model and internal control system and abides by the same principles of the Telecom Italia Group.



PRÓ-ATIVIDADE



TRANSPARÊNCIA



FOCO NO CLIENTE



VELOCIDADE



EXCELÊNCIA PROFISSIONAL



ESPÍRITO DE EQUIPE



INOVAÇÃO



ESPÍRITO EMPREENDEDOR

Our Code of Ethics guides and disciplines our employees' behavior at all hierarchical levels in accordance with the group's principles. Available on the intranet to all employees and constantly disclosed by means of different activities, the Code of Ethics requires compliance with the laws of the Country and ethical principles. It states that one of the Company's main objectives is to create shareholder value through the efficient use of resources, enhancement of the excellence of its products and services, innovation and customer service. It demands that employees do not behave illegally or improperly, thus assuring the market, investors and the community in general of full transparency regarding its activities, while protecting strategic information.

Some of the duties of the Company and its employees contained in the Code of Ethics are:

- Transparency in business;
- Promoting fair competition;
- Seeking excellence and competitiveness in the market;
- Seeing to the wellbeing and growth of the communities in which it operates;
- Valuing its human resources; and
- Having sustainable development as a goal.

Besides the Code of Ethics, TIM also deploys a Code of Business Conduct, an instrument that establishes criteria for relationships with suppliers, customers, consumers and the community, avoiding situations or behavior potentially damaging to the Company's interest, with a view to a fair and equitable relationship with the market and the business environment.

## Global Compact

Since 2008, we have been signatories to the Global Compact, a voluntary initiative of the United Nations Organization created in 2000, bringing together representatives of private initiative over the world who have agreed to apply ten basic principles in the fields of human rights, labor relations, the environment and the fight against corruption. At TIM, just as at the Telecom Italia Group, these principles are being incorporated into our strategy, culture and daily operations, as well as into our behavior towards employees, partners, suppliers, customers and society. The Company's Communication on Progress (COP) involving actions related to the principles of the Compact are reported through the Company's own sustainability report. TIM's first COP was disclosed in the 2008 Sustainability Report of TIM Participações, together with the indicators of the GRI Index.



Our Code of Ethics states that one of the company's main objectives is to create shareholder value through the efficient use of resources, enhanced excellence of its products and services, innovation and client service.

# Engagement of Stakeholders



As described in the opening to this Report, our activities take into account the expectations of all our so-called stakeholders whom we have grouped into eight categories: customers, suppliers, competitors, civil society organizations, the environment, the community (external stakeholders), the internal public and our shareholders (internal stakeholders).

Throughout the different sections of this document we give details of the joint actions that have taken place through our regular daily work channels with most of these stakeholders. Below we describe some important aspects of these relationships:

## External Stakeholders

### Customers

Our principal relationship channel with users is the Customer Relationship Center (CRC), which receives requests, doubts and complaints, in addition to registering new pre-paid subscribers. We also have a team for serving customers at the appeal level. Interaction is daily and the solutions to requests take into account each situation.

In order to get to know the degree of customer satisfaction with our services, we carry out two surveys – one of them on a monthly basis to evaluate satisfaction in regard to the CRC; the other on a half-yearly basis, to evaluate general customer satisfaction with the Company. In these surveys we have detected opportunities for improvement, which have led us to invest in enhancing the systems used by the CRC, in training service teams and in diversifying our online services.

Two online survey companies are monitoring the sites where TIM is mentioned (blogs, social networks, sites), so that we are alert to sensitive matters that are relevant to stakeholders and that do not show up in the formal channels.

### TIM on Twitter

We joined Twitter aiming at a closer communication between consumers and TIM. The “TIMTIM por TIMTIM” channel ([www.twitter.com/timtimporTIMTIM](http://www.twitter.com/timtimporTIMTIM)) is intended for commercial and institutional information.

### Suppliers

Our criteria for selecting suppliers, besides the requisites involving terms, costs and quality, follow the directives of our Code of Ethics and our Code of Business Conduct. Our agreements contain clauses concerning aspects of ethics, respect for human and labor rights, environmental protection and the fight against corruption, in addition to adaptation to labor legislation. Our principal dialogue channel with suppliers is the site [www.timcommerce.com.br](http://www.timcommerce.com.br), and whenever possible we strive to give priority to Brazilian suppliers.

In 2009, we also put in place a process for evaluating our principal suppliers in sustainability-related matters for the purpose of strengthening mutual commitments regarding the Policy on Relationships with Suppliers in the Purchasing Process, while identifying opportunities for joint progress. At the end of 2009, the percentage of the principal suppliers selected by the Company for evaluation in sustainability-related matters stood at 90%.

### Competitors

We operate in a highly competitive market. The regulatory aspects and the definition of parameters to ensure improved quality of the service rendered and of the relationship between the different players have been receiving the Company's special attention. We and our competitors maintain a relationship of cooperation through several trade associations and working groups on technical topics.

In 2009, the Company and its competitors participated in associations and other groups involved in formulating public policies, so as to contribute to improving the industry. Examples include participation in the National Association of Cell Phone Operators (ACEL), working with Anatel on plans for universalizing telecommunications services and for the allocation of new bands to enable the population to access broadband telephony and data services of public interest.

### The Environment

The principal environmental regulatory bodies with which TIM has contact are the state and local departments which manage environmental affairs (Departments of the Environment, of Works, of Urbanization etc.) and the Brazilian Institute for the Environment and Renewable Natural Resources (IBAMA). The Company does not receive visits with a pre-defined frequency from the environmental regulatory bodies. The frequency depends on the volume of the demand from public bodies.

The major dilemma for the telecommunications industry is the electronic garbage created by disposing of cell phones and their accessories, a point reinforced by the stakeholders in our materiality test.

Furthermore, in 2009 we drew up the Company's Environmental Policy including points like compliance with legislation, continuous improvement in the environmental performance and strengthening the commitment to sustainable development.

Also that year, TIM customers were able to opt for phone sets with a smaller environmental impact, with the inclusion of the *Samsung Solar*, *Motorola W233* and *MOTOCUBO A45* cell phones in the Company's portfolio.

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Antena

### Community and civil society organizations

Contacts with this group of stakeholders are informal and permanent, so as to identify matters and needs. These are initiated through relations established with the regional offices or through the External Relations area. The Brazil End-to-End Project described on page 10 is a good example of the actions resulting from these relationships.

We operate through three courses of action:

- Charity - Intermittent support to a wide range of good causes;
- Community investments – Long term strategic involvement in community;
- Initiatives in the community – activities involving support for the Company's results, carried out in the communities.

Projects can be developed in partnership with institutions or simply supported to fruition on account of their characteristics and their alignment with the Company's strategies. Requests for support for social projects can be forwarded to the email [projetosocial@timbrasil.com.br](mailto:projetosocial@timbrasil.com.br) for analysis by the Company.



TIM ArtEducação project – photo by Mila Petrillo

### Internal Stakeholders

#### Internal public

In our relations with the internal public, the company seeks two-way communication. We use discussion groups for aligning the expectations of call centers and stores, in addition to management segments. HR maintains direct contact with potential candidates for internal recruitment.

In addition to satisfaction surveys, we have developed and implemented collective and innovative means of internal communication like the *Fale conosco* (Contact us) website and the pop-up for relevant notifications about the business and the organization through the intranet.

In the case of unions, a dinner is held every six months for relationship purposes.

#### Shareholders

The Investor Relations area has a website ([www.tim.com.br/ri](http://www.tim.com.br/ri)) where all information of interest to the public is published, such as the disclosure of earnings, relevant facts, quotations and analyses. The data are permanently updated.

In parallel, a relationship channel with shareholders was recently opened on Twitter ([www.twitter.com/tim\\_ri](https://twitter.com/tim_ri)).

We operate through three courses of action: Philanthropy, Investments in the Community and Initiatives in the Community.





### Application of the AA1000APS standard

In 2009, interviews began with Company officers so as to map the stakeholders of each functional area at TIM, in accordance with the AA1000APS standard – Accountability Principles Standard. This is the first step of a process whose aim is to improve management of relations with stakeholders and bring to fruition actions of engagement which might lead to contributions to a more sustainable management of the Company. Below, a short summary of the preliminary results of this mapping. One can identify different channels within the TIM organization for several publics, revealing wider possibilities and greater potential for quality in the engagements.

FUNCTION	STAKEHOLDERS
CUSTOMER SATISFACTION MANAGEMENT	EXTERNAL: CUSTOMERS, THE PRESS, THE PROCON, CONSUMER ASSOCIATIONS, RESEARCH INSTITUTES AND REGULATORY BODIES.
REGULATORY AFFAIRS	EXTERNAL: ANATEL, PUBLIC SECTOR (THE CONGRESS, LOCAL GOVERNMENTS AND AUTHORITIES), COMPETITORS.
EXTERNAL RELATIONS	EXTERNAL: CONSUMERS, CUSTOMERS, THE MEDIA, THE PRESS, CIVIL SOCIETY ORGANIZATIONS, THE COMMUNITY, RATING AGENCIES.
HUMAN RESOURCES	INTERNAL: INTERNAL PUBLIC; EXTERNAL: UNIONS, SAFETY BODIES, UNIVERSITIES, MINISTRY OF LABOR.
CHIEF COMMERCIAL OFFICER	INTERNAL: MARKETING, HR, PURCHASING AND LOGISTICS; EXTERNAL: BUSINESS PARTNERS AND SALES MANAGERS.
CHIEF MARKETING OFFICER	INTERNAL: INTERNAL PUBLIC; EXTERNAL: CONSUMERS, CUSTOMERS, CONAR.
NETWORK	INTERNAL: MARKETING, SALES AND CUSTOMER SERVICE; EXTERNAL: END CUSTOMERS, SUPPLIERS, ANATEL, LOCAL COMMUNITIES (MAYORS, CITY COUNCILS, THE JUDICIARY).

# Economic Performance



TIM is one of Brazil's leading companies and because of its nationwide presence in around 3,000 municipalities, it makes a significant contribution to the economy of every region in the Country.

These economic impacts are direct, like job creation, as well as revenues and taxes from products and services we purchase and sell, generating resources for our logistics chain in both directions. In addition, given the nature of the services we provide, we are supporting the Country's economic growth by contributing to improving the efficacy and productivity of companies and individuals. There are also indirect impacts resulting from initiatives with stakeholders.

In this section we will begin by presenting the economic impacts created in regard to employees, suppliers, investors, the community and government. We also analyze some specific questions involving the manner in which these impacts arise, from the sustainability viewpoint. We are aware that value creation is sustainable over time if we are capable of effectively integrating the expectations of the context in which we operate, while at the same time achieving our economic objectives.

Details of our economic and financial results can be found in the Annual Report.

## Our operating context in 2009

The year 2009 began with a clear need to review the manner in which we had been doing business. In spite of the growth in business volumes in line with the continuous growth of the Brazilian cellular telephony market, which stood at 174 million lines at the end of 2009, our share of mobile telephony as a whole had declined, especially in the post-paid segment. We had also experienced losses in the quality of service in relation to the average for the category.

We therefore needed to act on many fronts, and the set of actions we took turned out to be effective. We closed the year re-balancing our market share, with better balancing between post- and pre-paid business, in addition to commemorating growing customer satisfaction indices in all segments. In only six months after launch, the new pre-paid *Infinity* plans amounted to over 11 million customers, evidencing the success of our strategy of focusing on "talking more for less". Our total subscriber base closed 2009 with 41.1 million lines, 12.9% over 2008, representing a market share of 23.6%. 3G technology is present in the principal metropolitan regions, covering more than 30% of the total urban population.

## Direct Economic Impacts

## Added Value Statements\*

VALUE CREATION	2008 (R\$ 000)	2009 (R\$ 000)
(A) GROSS REVENUES	16,392,151	16,714,733
(B) GOODS AND SERVICES ACQUIRED FROM THIRD PARTIES	(8,025,236)	(8,142,037)
COSTS OF SERVICES PROVIDED AND GOODS SOLD	(5,475,372)	(5,040,952)
MATERIALS, ENERGY, THIRD-PARTY SERVICES AND OTHERS	(2,549,864)	(3,101,085)
(C) GROSS ADDED VALUE (A - B)	8,366,915	8,572,696
(D) RETENTIONS (DEPRECIATION AND AMORTIZATION)	(2,408,545)	(2,582,807)
(E) NET ADDED VALUE (C - D)	5,958,370	5,989,889
(F) TRANSFERS		
EQUITY INCOME	1,164,662	834,126
INCOME FROM EQUITY INTERESTS		
FINANCIAL REVENUES		
(G) ADDED VALUE TO BE DISTRIBUTED (E + F)	7,123,032	6,824,015

## Distribution of added value

	2008 (R\$ 000)	2009 (R\$ 000)
PAYROLL AND CHARGES	548,007	478,223
SALARIES	354,126	322,318
SOCIAL SECURITY CHARGES	28,697	29,133
PRIVATE PENSION PROGRAM	5,810	4,725
BENEFITS	99,976	109,866
PROFIT SHARING	59,398	12,181
GOVERNMENT	4,646,630	4,804,781
TAXES, FEES AND CONTRIBUTIONS, NET OF SUBSIDIES (EXEMPTIONS)	4,646,630	4,804,781
FUNDERS	1,748,243	1,326,118
INTEREST AND LEASES	1,748,243	1,326,118
SHAREHOLDERS	171,144	204,149
INTEREST ON SHAREHOLDERS' EQUITY AND DIVIDENDS	171,144	204,149
RETAINED	9,008	10,744
INCOME/LOSS FOR THE YEAR	9,008	10,744

\*Note: income for 2009 includes Intelig data for the month of December, both in the generation and distribution of value.

## Financial benefits received from the government:

CATEGORIES	2008 (R\$ 000)	2009 (R\$ 000)
REBATES FROM TAXES AND FEES	33,290	88,851

### Financial implications and other risks and opportunities arising from climate change

We believe that the Company may be exposed to regulatory risks in the near future, driven by the new fund created by the rich nations that in December 2009 at the UN Conference on Climate Change, held in Copenhagen, agreed to channel US\$30 billion over the next three years to assist poor nations in dealing with climate change. It is estimated that Brazil will invest US\$16 billion to meet these goals, which will tend to increase regulation.

In 2008, TIM began surveying the CO<sub>2</sub> emissions from its operations, retroactive to 2007, based on the Greenhouse Gas Protocol (GHG Protocol) methodology. Emission factors from the United Nations Environment Programme (UNEP) and the Brazilian Ministry of Science and Technology were also employed. The aim of this initiative is to understand and render transparent the Organization's emissions, so as to draw up action plans for reducing them. The Company's carbon inventory includes emissions from the Company's burning of fossil fuels, the consumption of energy purchased, air travel by employees on business, the daily commuting of employees and the fuel used in the outsourced fleet for distributing the products we sell at the points of sale.

TIM is present in all Brazilian States and the prediction of extreme climatic events may affect its business activities and cause possible physical risks:

- Higher electricity consumption in order to maintain network equipment at the desired temperature;
- Higher energy costs and rationing of its supply on account of the fact that a large part of the energy generated in Brazil is generated by hydroelectric plants;
- Scarcity of renewable energy sources;
- Influence of humidity and salinity on the useful life of the equipment;
- Negative impact on mobile telephony signals in case of higher rainfall levels;
- Adverse financial impact due to higher prices for natural disaster-related insurance;
- Impact on employee health and well-being;
- Loss of income by consumers; and
- Interruptions or deterioration in the provision of telecommunications services as a result of possible environmental disasters in network infrastructure.

As a result of climate change, TIM may also be exposed to a change in the behavior of customers who may opt to look to environmentally responsible companies that adopt transparent practices. Therefore TIM will have to enhance and update its environmental policies so as to meet the demands of society and minimize the impact of its business on the environment.

TIM may also be exposed to changes in the behavior of investors worldwide, who already include climate change-related questions in their investment decisions. In addition, by causing possible environmental disasters, climate change may lead consumers' loss of income, consequently reducing their ability to acquire services.

Climate change may contribute to more people avoiding unnecessary commuting and preferring to use telecommunications.



TIM's strategy is centered on the convergence of mobile network services and products involving mobile, fixed and broadband mobile telephony, so as to ensure the use of technology in the customer's favor in these circumstances. In this manner our sector can contribute to reducing the emissions arising from the commuting of people, in addition to being the base for optimizing manufacturing processes and logistic flows across a wide range of sectors, generating significant reductions in emissions. The evaluation of climate change-related risks and opportunities is carried out annually so as to respond to the Carbon Disclosure Project questionnaire approved by the Company's senior management.

#### Private Pension Program

TIM offers its employees a defined contribution pension plan managed by Banco Itaú, in which the employee contributes with the same amount as the Company and with the possibility of retroactive payment for the time of the employee with the

Company. This amount is calculated based on the salary the person receives. Up to the amount of R\$2,620.00, TIM contributes 1% of the salary amount, while the employee is exempt from contribution.

Where the employee receives a higher salary, the amount of the contribution by TIM up to R\$2,620.00 is 1% and, in regard to the remaining salary amount, the Company's percentage contribution is 6.6%. In this case, the employee contributes equally with TIM. In this plan, all employees are eligible and can join at any time, provided this is within the periods agreed to between TIM and Banco Itaú.

#### Sistel and TIMPREV

In regard to the pension plans managed by closed pension plan entities, TIM currently sponsors the following plans described in detail below:

PLAN	TYPE <sup>(1)</sup>	ENTITY/ MANAGER	SPONSOR
PBS-A	BD	SISTEL	TIM CELULAR AND TIM NORDESTE (MERGED INTO TIM CELULAR IN 2009), JOINTLY AND SEVERALLY WITH THE OTHER TELECOMMUNICATIONS COMPANIES THAT AROSE FROM THE PRIVATIZATION OF THE TELEBRAS SYSTEM
PBS – TELE CELULAR SUL	BD	HSBC	TIM PARTICIPAÇÕES AND TIM CELULAR
ADMINISTRATION COVENANT	BD	HSBC	TIM CELULAR
PBT – TIM (TELEPAR CELULAR BENEFITS PLAN)	BD	HSBC	TIM CELULAR
TIMPREV SUL	CD	HSBC	TIM CELULAR
PBS – TELE NORDESTE CELULAR	BD	HSBC	TIM NORDESTE (MERGED INTO TIM CELULAR IN 2009)
TIMPREV NORDESTE	CD	HSBC	TIM NORDESTE (MERGED INTO TIM CELULAR IN 2009)

(1) BD = Defined Benefit Plan;

CD = Defined Contribution Plan.

There are closed defined contribution pension plans managed by HSBC (TIMPREV SUL and TIMPREV NORDESTE), in which only those employees who were participants in the defined benefit plan managed by Sistel were offered migration, while joining this plan is not offered to any other employees. Therefore only the former employees the Telebras system participate in this plan.

The employee and employer contribution percentages are the same and are defined as follows:

- Employees receiving salaries equal to or less than 12.5 URT (TIM Unit of reference) contribute with 0.71%; and
- Employees receiving salaries between 12.5 and 218.3 URT contribute with 4.73% and deduct 0.5025 URT from this amount.

The value of the URT in 2009 was R\$195.97.

HSBC also manages four defined benefits plans (PBS – Tele Celular Sul, Management Arrangement, PBT – TIM and PBS – Tele Nordeste Celular) covering employees and beneficiaries of TIM who opted not to join the Company's defined contribution plan. These plans are offered to a closed mass of participants, with new participants forbidden to join.

In these defined benefit plans, the contributions of the participant and the sponsor are determined on an annual basis by HSBC, in accordance with the plan's requirements.

In December 2009, all these plans had collateral assets exceeding the actuarial commitments. The funding requirement estimated for the 2010 business year is zero. In 2009, three of them showed zero funding requirements and in one received contributions, in the proportion of 64% for the Company and 36% for the participants.

Lastly, there is the PBS-A benefits plan managed by Sistel (closed private pension entity), which originated at the time when the Telebras system was privatized, and only has participants

who already receive benefits; therefore this is a closed mass. The peculiar feature of this plan is the fact that it is sponsored not only by TIM Group companies, but also by all telephone companies created under said privatization process. The PBS-A is currently in surplus, and no funding requirements are expected on the part of the Company or the participants.

#### **Atypical Contractual Relationship Instrument**

In succession to the partial spin-off process of Telecomunicações do Paraná S.A. – TELEPAR, the Company is the sponsor of supplementary retirement plans instituted in 1970 under a Collective Bargaining Agreement and ratified by the Atypical Contractual Relationship Instrument entered into between the Company and the unions representing the then-existing professional categories.

The agreement covers 86 employees hired prior to December 31, 1982, granting them a supplementary pension. This right is only granted if these employees retire after having completed the minimum term for retirement (30 years for men and 25 for women).

On account of the spin-off of Telebras in June of 1998, the Company opted to extinguish this supplementary retirement plan. As a result of the termination of this plan, the Company allowed plan participants to receive a cash payment of the accumulated benefits, or transfer their accumulated benefit obligations to the PBT – Sistel plan. The majority of employees participating in the plan opted for cash payment or for joining the PBT-Sistel plan. The provisioned remainder will be used to cover the benefits of those employees who have not yet made their options (four employees on December 31, 2009 and 2008).

The obligation to pay the pensions defined by the Company's retirement plan lies with TIM, but with separate funds deposited monthly with HSBC where a fund managed by HSBC was created. Should this fund not have sufficient funds to cover the payment of the pensions, the liability for covering the amount and increasing the contribution rests with TIM.



The annual contribution contemplated for the defined contribution plans in 2010 (the only ones with non-zero funding requirement) is R\$178 thousand. In the case of the PBS-A managed by Sistel, the responsibilities of TIM follow this same principle, whereby in this case responsibility is assumed jointly and severally by the different sponsor companies.

#### Lower salaries compared to the local minimum salary

TIM has a salary floor fixed in the Collective Labor Agreement (ACT) executed with the employees' class union, which means that we apply the floors fixed in the ACT rather than the regional office floor.

The table below compares the local or national minimum salaries – for locations where no regional minimum exists – with the lowest salaries paid by the Company regardless of the salary agreed to in the ACT.

In the Mid-western regional office and in the offices in the States of Espírito Santo and Santa Catarina, the average is almost 40% above the regional floor, while in the Northern regional office the average is 32% above.

Of those States where regional minimum salaries exceed the national level, we are above the floor in Rio Grande do Sul (27%), in São Paulo (5%) and Rio de Janeiro (1%). In Paraná, the salaries of 0.2% of the employees are 19% below the regional floor.

PLAN	2008				2009			
	LOCAL MINIMUM SALARY (R\$)	LOWEST SALARY PAID (R\$)	EMPLOYEES RECEIVING THE LOWEST SALARY (%)	% BELOW OR ABOVE THE LOCAL MINIMUM	LOCAL MINIMUM SALARY (R\$)	LOWEST SALARY PAID (R\$)	EMPLOYEES RECEIVING THE LOWEST SALARY (%)	% BELOW OR ABOVE THE LOCAL MINIMUM
SÃO PAULO REGIONAL OFFICE SP (CAPITAL AND HINTERLAND AREA)	450	524	13%	16%	530	555.44	9%	5%
RIO DE JANEIRO REGIONAL OFFICE RJ	470.34	539	9%	15%	531.55	539	9%	1%
RIO DE JANEIRO REGIONAL RJ	415	648	23	56%	465	648	10%	39%
REGIONAL OFFICE SOUTH PR	531	472	0.30%	11%	620.46	500	0.2%	39%
REGIONAL OFFICE SOUTH SC	415	648	12%	56%	465	648	17%	39%
REGIONAL OFFICE SOUTH RS	477.4	648	38%	36%	511.29	648	9%	27%
REGIONAL OFFICE MID-WEST DF, GO, TO, MT, MS, RO, AC	415	584	0.20%	41%	465	648	4%	39%
REGIONAL OFFICE EAST MG, BA, SE	415	494	0.20%	19%	465	524	0.30%	13%
REGIONAL OFFICE NORTHEAST PE, AL, PB, RN, CE, PI	415	464	16%	12%	465	465	9%	0%
REGIONAL OFFICE NORTH PA, AM, MA, AP, RR	415	613	23%	48%	465	613	7%	32%

Note: National minimum salary at the end of the year: R\$415.00 (2008) and R\$465.00 (2009)

### Policies, practices and proportion of expenditures with local suppliers

The Company has no policies on purchases or practices and procedures that give priority to local suppliers. However, whenever possible we try to create relationships with suppliers headquartered in Brazil.

All agreements and purchase orders contain a clause which ensures respect for and compliance with the TIM Code of Ethics and the principles of the Global Compact, like respect for human and labor rights, the principles of environmental protection and the fight against corruption.

In 2009, the Company created an important policy regarding the "Relationship with Suppliers in the Purchasing Process," which includes social and environmental responsibility of the goods and services acquired and the continuous improvement of the Company's relationship with the suppliers.

This year the Company initiated a process for evaluating its principal suppliers in sustainability-related matters. The responses from this evaluation are not taken into account in the supplier qualification and selection process, serving only to strengthen the mutual commitments regarding the Relationship Policy while identifying opportunities for joint progress.

In 2009, 90% of the principal suppliers were evaluated in a universe of 29 suppliers considered critical, based on an analysis of risk to the business.

### Indirect Economic Impacts

Indirect economic impacts are additional consequences of the direct impacts of any financial activity and flow of funds between the Company and its stakeholders impacting the well-being and long-term development of a community or other group of stakeholders.

### Telemedicine pilot project

In November 2009, in partnership with Telecom Italia and the City Administration of Rio de Janeiro, TIM presented an innovative Telemedicine Project in the public health field in Brazil, combining Internet connection and TIM mobile telephony.

Using the *MyDoctor@Home* platform created by Telecom Italia, it is possible to transmit electrocardiograms done with portable electrocardiographs installed at health units to the Miguel Couto hospital. The portable electrocardiograph has to be connected to an ordinary cell phone with software for sending data to the *MyDoctor@Home* platform.

This enables cardiologists to evaluate examinations at a distance and to share opinions and possible recommendations with the health unit teams using the same platform. As a result, when the patient arrives at the hospital, he has already been forwarded for the appropriate treatment, which increases their well-being and avoids unnecessary saturation of the hospital structure.

In addition, as the equipment is easy to carry, the service could evolve to homecare, being taken to the location where the patient is to be found, which would be ideal in those cases where traveling is not recommended.

The pilot plan was implemented at two health units located in the Santa Marta community and on Guaratiba Island which are connected to the cardiology unit of the Miguel Couto hospital. In 2009, the investment in the project was R\$24,670.00. The effectiveness period of the project agreement runs until December 31, 2010, and may be extended if the parties so agree.

It is not the Company's practice to undertake specific surveys for identifying the needs or priorities of the communities where it operates, prior to making indirect investments. The situations have been analyzed based on normal contact of stakeholders with the different areas of the Company.

### TIM PDV – Recarga Online

The TIM PDV is a new way of inserting credits into TIM pre-paid cell phones. The major axes structuring the pillar of this innovation are: sustainability, cost reduction and optimization of operating processes.

Launched in August 2008, TIM PDV does online reloading transactions using the TIM GSM network and commands on the specific cell phone enabled. Wherever there is a TIM GSM signal, reloading is possible.

USSD (Unstructured Supplementary Service Data) technology proposes to strengthen the culture of sustainability inside and outside the Company by substituting the use of physical reload cards.

Since the initiative was implemented, there has been a 45% reduction in the share of sales of physical cards by TIM.

Through TIM PDV, the Company further boosts the micro retail sector, as it enables small enterprises to sell the reloads in an easier and more accessible manner, thereby leading to a more sustainable world.

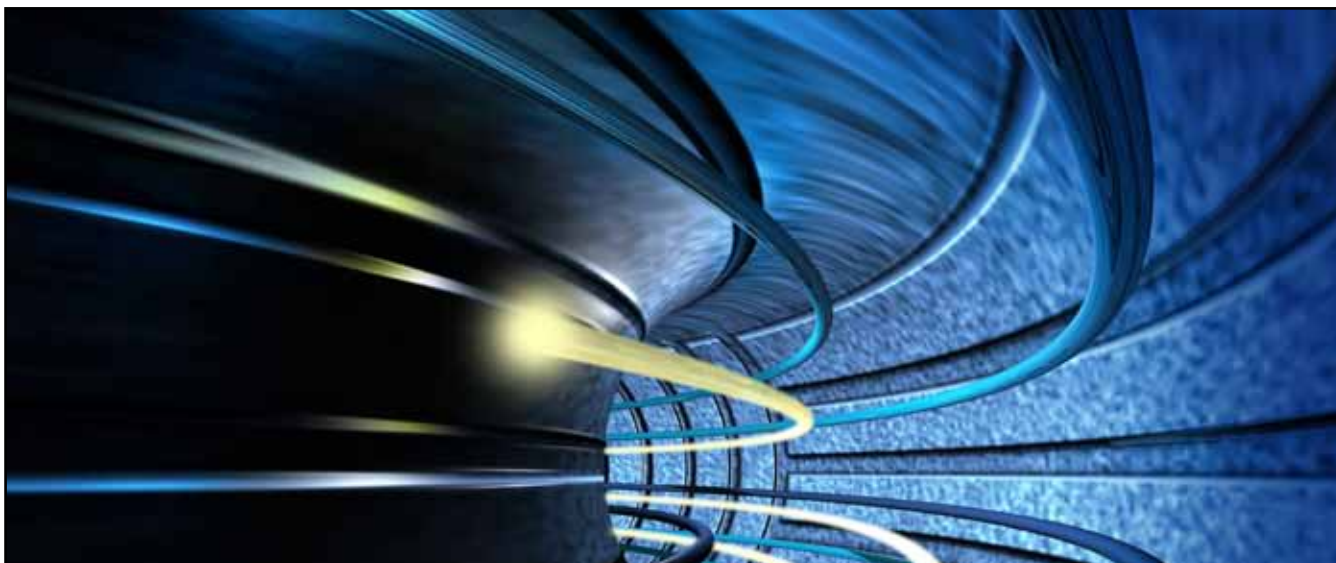
### Relevance for the retail sector

Among the countless benefits of TIM PDV for the retail market and for customers, the highlights are:

- Greater security for the retail sector: TIM PDV aims at substituting the physical reload card much sought after by robbers;
- Greater penetration in areas of risk: sale of physical reload cards enjoys low acceptance on the part of establishments located in areas with high levels of robbery. The TIM PDV breaks down that barrier. Neither the set nor the SIM card have any value. All amounts are transacted directly on the TIM platform. Nevertheless, if the set and the SIM card used for TIM PDV are stolen, the establishment will suffer no damage. The set does not work with any other SIM card, which inhibits stealing it. Each sales transaction is also password-validated, that is, the individual will not have the password, and even should they try, three wrong entries means the chip being used is automatically blocked;
- Higher increases in sales: with TIM PDV, the physical logistics of delivery are no longer required. Unlike the sale of physical cards, the retailer receives the amounts to be sold via the system. The new reload system works in line with the financial concept, that is, the retailer no longer has to purchase quantities per reload amount, as in the card process. They acquire the reload from the authorized TIM distributor and this amount is deposited in a checking account of the establishment which communicates with the terminal being used. While the balance is positive, the establishment continues to make sales to end customers. TIM PDV also enables the establishment where the terminal is installed to monitor the balance in its checking account using USSD, and if the balance is running out, it can request more from the TIM distributor;



TIM PDV on-line reload device



- Greater mobility of the sale: since TIM PDV uses a GSM cell set for promoting sales, it brings total mobility because the retailer's establishment does not have to be operating to sell the reload. Even outside business hours or while the store is closed, they can take TIM PDV in their pocket and reload the pre-paid cell phone of any customer who needs it on the street, in a football stadium, or during a weekend meeting with friends etc. This is so because TIM PDV is available at all times for making sales. Wherever the TIM signal exists, the set promotes mobile sales;
- Sales to a wider area: TIM PDV brings a new reality to many regions previously without access to TIM reloads. In many regions throughout Brazil, where access is difficult, like for example the Northern region and the hinterland area, supplying physical cards which depended on physical logistics was subject to delays or unpunctual service. Customers who needed to communicate immediately had to make their way to the next establishment which offered reload services. As TIM PDV does not depend on supply using physical logistics, these sales in more distant regions are not lost and the customer is

served in a convenient manner. In another case, if for example the customer is traveling and needs to reload their cell phone, they can get in touch by telephone with any establishment and request a TIM PDV reload, receiving the credits wherever they may be. In locations of difficult access where cards had to arrive by boat, for example, in the North of Brazil, there is no longer the risk of lack of supply of reloads or of unsold stocks of cards. Against this background we see an improvement in the Company's competitive position and we have created new business opportunities for TIM and for small enterprises by eliminating costs.

We should also stress the improvement in the service. Customers can obtain reloads quickly and efficiently. The salesperson at the point of sale enters the customer's telephone number, chooses the amount of the reload, enters the password for validation and confirms the sale. Thereafter the customer's cell phone automatically receives a text message (SMS) with the transaction details, with no paper proof or card to dispose of. Reloading is concluded in total security and credits can be used immediately.

# Environmental Performance



Blue Man Group

## Environment Management

In 2009, TIM launched its Environmental Policy inspired by the Directives of the Global Reporting Initiative and on the Principles of the Global Compact. The principles of this policy are to ensure compliance with the legislation and the directives of the Telecom Italia Group, and to ensure continuous improvement of environmental performance, in addition to strengthening the commitment to sustainable development. The Company's activities will bear in mind the following objectives:

- To prevent pollution risks, through activity planning and control;
- To reduce the use of natural resources (water, fossil fuels, energy etc.);
- To encourage reductions in emissions of atmospheric pollutants;
- To comply with legal limits on electromagnetic emissions;
- To keep waste production to a minimum and encourage recycling;
- To prevent environmental emergencies; and
- To raise internal and external public awareness about environmental matters.

Processes involving activities with greater potential adverse environmental impacts rely on specific transverse management programs which include goals and contemplate the monitoring and management of the results.

In order to define its strategies, TIM takes into account the environmental aspects considered material by the stakeholders, as described in the Report Parameters section. The material environmental indicators highlighted by the materiality test are the collection and recycling of cell phones, batteries and SIM cards (high materiality) and the impact of the antennae installations on the environment and the community. Other relevant environmental

questions raised by the stakeholders were greater attention to conscientious consumption involving educating the internal public in this respect, in addition to the potential benefits of communications technology in disseminating sustainability.

TIM has assumed widely published voluntary commitments, such as the Global Compact, the Carbon Disclosure Project and the "Empresas Pelo Clima" (Companies for Climate) platform. In addition, the Company is part of the Corporate Sustainability Index (ISE) of the BM&FBOVESPA for the second year in a row.

Monitoring of information and environment-related data and indicators are compiled by the area responsible for preparing this report while responsibility for managing the indicators rests with the areas that gather this information.

An important step concerning environmental responsibility was taken in 2009, with the creation of a multifunctional group – the Environmental Committee – with the mission of organizing and delivering an environmental management system with a view to obtaining the ISO 14001 Certification in 2010. The certification will be awarded to the network function, with the scope of operations to include the Network Management Center – Rio de Janeiro (State of Rio de Janeiro) and Santo André (State of São Paulo) –, in addition to the centralized operation of the Service Quality Assurance team.



The Company maintains a structured program on awareness and education about sustainable development involving its entire internal public. In 2009, TIM drew up an online training course on sustainability, so as to disseminate this theme to those stakeholders.

#### Environmental Commitments and Performance in Relation to the Goals

We have a set of environmental commitments for which goals have been established and are monitored. In 2009, we exceeded all our environmental goals. For 2010, our environmental commitments have suffered the following alterations:

- We have excluded the goal of reducing paper acquired for office use, since rationalization of the use of this material has already been incorporated into the Company's culture.
- We have expanded the universe of suppliers evaluated in regard to sustainability and, as a result, we have altered the way we monitor the commitments where this item is concerned.
- We have included goals for electrical energy and water consumption in the offices.

#### Performance in Relation to the Environmental Goals

INDICATOR	MEASURE	2008 RESULT	2009 GOAL	2009 RESULT	2010 GOAL
TO REDUCE THE QUANTITY OF PAPER ACQUIRED FOR USE IN THE OFFICES	%		2.1	11	-
PERCENTAGE OF RECYCLED WASTE OVER TOTAL WASTE GENERATED IN THE OFFICES	%	41	43	49	51
COLLECTION OF OUT-OF-USE CELL PHONES, BATTERIES AND OTHER ACCESSORIES FOR RECYCLING	TONS	10	11	19	12
SUSTAINABILITY EVALUATION INDEX OF THE PRINCIPAL SUPPLIERS	%	-	30	90	-
NUMBER OF SUPPLIERS EVALUATED IN SUSTAINABILITY-RELATED MATTERS	No.	-	-	29	70
REDUCTION IN ENERGY CONSUMPTION IN THE OFFICES	kWh	-	-	72,739,757	1,000,000
REDUCTION IN WATER CONSUMPTION IN THE OFFICES	m <sup>3</sup>	-	-	173,057	2,400

Action plans have been created so that the sectors involved take the steps required for attaining their environmental goals.

Processes involving activities with greater potential adverse environmental impacts rely on specific transverse management programs which include goals and contemplate the monitoring and management of the results.



## Materials

Management of materials used for providing TIM products and services is based on the directives established in its environmental policy. Some of the positive effects of this strategy have already been felt in cost reductions and in keeping environmental impacts to a minimum.

### Materials Used by Weight or Volume

TOTAL PAPER CONSUMPTION (KG)	2009 TOTAL	2008 TOTAL
PAPER FOR INTERNAL USE	92,078	103,616
BAGS	290,563	331,773
MARKETING	1,194,424	*1,837,315
INVOICING	981,688	1,020,614
<b>TOTAL</b>	<b>2,558,753</b>	<b>3,293,318</b>

\* This figure was corrected in the 2009 Report, as the volume informed in the previous report was less than the actual volume.

Paper is the most significant source of material consumed at TIM. We continue to monitor consumption in the activities requiring this resource: issuing invoices, office use, use in bags and leaflets at the points of sale.

Global consumption saw a reduction of 22.3% in relation to 2008. The sharpest reduction (35%) was felt in purchases of paper for marketing leaflets, the activity that consumes most paper in the Company. This reduction is due to the efforts in avoiding wastage of materials which quite often were held in stock and never used.

The volume of paper consumed in bags was 12.4% less than in 2008. In the offices, the reduction was 11.1%, exceeding the reduction goal for this item, which was 2.1% for 2009. For 2010, no goal has been set in relation to the acquisition of paper for the offices, since this practice has already been incorporated into the Company's culture.

Furthermore, the Company continues to disseminate directives and procedures focusing on reducing internal consumption of paper and its attendant costs, involving the substitution of stand-alone printers, fax machines, scanners and copiers by multifunctional equipment which centralize all these tasks. The policies on restrictions on printing, allied with internal awareness campaigns regarding reduction of consumption, have contributed to savings in paper and other resources such as toners.

In 2010, a goal was not set forth for the acquisition of paper supplies, as this practice is already incorporated into the Company's culture.

## Percentage of Materials used originating from Recycling

2009 (KG)	TOTAL	RECYCLED	FSC	WHITE
PAPER FOR INTERNAL USE	92,078	90,768	0	1,310
BAGS	290,563	290,563	0	0
MARKETING	1,194,424	1,175,824	18,600	0
INVOICING	981,688	608,732	372,956	0
<b>TOTAL</b>	<b>2,558,753</b>	<b>2,165,887</b>	<b>391,556</b>	<b>1,310</b>
PERCENTAGE	100%	84.65%	15.30%	0.05%

2008 (KG)	TOTAL	RECYCLED	FSC	WHITE
PAPER FOR INTERNAL USE	103,616	102,101	0	1,515
BAGS	331,773	331,773	0	0
MARKETING	1,837,315	1,837,315	0	0
INVOICING	1,020,614	1,020,614	0	0
<b>TOTAL</b>	<b>3,293,318</b>	<b>3,291,803</b>	<b>0</b>	<b>1,515</b>
PERCENTAGE	100%	99.95%	0.00%	0.05%

Of the volume of paper consumed in 2009, 84.6% originated from recycling, while in 2008 this figure was practically 100%. The larger reduction in the use of recycled paper occurred in issuing invoices to post-paid customers, since these accounts are now printed on FSC (Forest Stewardship

Council) – certified paper manufactured using raw material from sustainable forest handling since July 2009. The volume of FSC paper stood at 15.3% of the total consumed. The use of white paper stood at 0.05% of the total.

## Energy

TIM has been striving to implement measures for reducing energy consumption, seeking to encompass not only its activities and operations, but also the consumption phase of its products and services in the search for continuous improvement of processes. The actions aimed at controlling and reducing the wastage of resources, the search for best market practices and the use of innovative alternative technologies have been the methods used to achieve these objectives.

In addition, we have sought to better understand our impact on the environment by means of actions like drawing up the Company's carbon inventory. In 2009, we began conduct a survey with the internal public, so as calculate emissions of CO<sub>2</sub> arising from the fuel burnt by employees on their daily commuting from home to work and back.

### Direct and indirect energy consumption

TOTAL ENERGY USED (GJ)	2008	2009
GASOLINE	60,879	66,421
DIESEL – VEHICLES	1,354	1,323
DIESEL – GENERATORS	11,585	17,000
<b>TOTAL DIRECT ENERGY</b>	<b>73,818</b>	<b>84,744</b>
ELECTRICITY	1,001,406	1,049,619
<b>TOTAL INDIRECT ENERGY</b>	<b>1,001,406</b>	<b>1,049,619</b>
<b>TOTAL</b>	<b>1,075,224</b>	<b>1,134,364</b>



NMC São Paulo

In 2009, TIM consumed 1,134,364 gigajoules (Gj) of (direct and indirect) energy, 5.5% more than in 2008. Of this total, 93% referred to the consumption of electricity purchased, considered in the case of Brazil a mixed source, with renewable energy (water sources) prevailing.

TIM is adopting the following measures in order to achieve its goals for reducing internal energy consumption:

- Turning off computers after business hours
- Monitoring the air conditioning system
- The search for energy efficiency using new alternatives for the lighting system
- Partial illumination of rooms used at night and weekends

The variation in the demand for energy observed in 2009 does not mean there was a decline in the company's energy efficiency. To measure the effects of the different measures we are adopting to reduce energy expenditures, in 2009 we began calculating the TIM eco-efficiency in relation to the energy consumed.

#### Eco-efficiency in energy

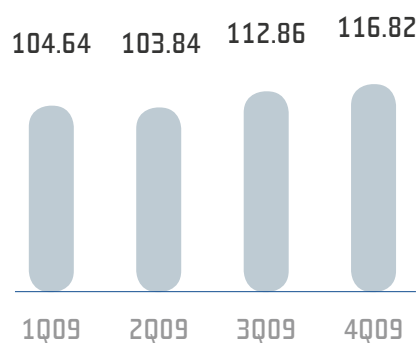
The purpose of this indicator is to show the Company's efficiency in performing its business, on account of the quantity of energy consumed. In the case of TIM, it is desirable that the ratio of the quantity of services (bits) to energy consumed (joules) in carrying

out these services be increasingly higher. The eco-efficiency values for 2009 were calculated by comparing the Company's consumption of fossil fuels and of electricity with the entire voice and data traffic that transited on the Company's network during the year. With the 2009 consolidated results on the graph below, it is not yet possible to analyze the Company's efficiency, since the methodology is still in the study phase and there is not a sufficient track record showing the trends in variations.

In addition to the parameters indicated by the energy eco-efficiency graph, we are continuing to invest in administrative improvements which, besides reducing energy, also aim to make cost savings.

#### TIM Brasil Eco-efficiency

Bit/Joule



To measure the effects of the different measures we are adopting to reduce energy expenditures, in 2009 we began calculating TIM's eco-efficiency in relation to the energy consumed.

## Power Saving

Another of the company's energy efficiency actions were the tests of the Power Saving project which, by updating a network software, seeks to reduce the energy consumed by the company's Base Transceiver Station (BTS). The new software calculates the requirements of connected network equipment in a location in accordance with customers' demands for TIM services. If there is no demand, the software shuts down the equipment, turning it on again as required, thereby permitting intelligent energy consumption by the network area.

The pilot project carried out in São Paulo produced satisfactory initial results, generating average savings of 6.2% of the energy consumed at the two ERBs tested. The Company is evaluating these results, so as to expand the project for 2010, taking all due care to maintain the quality of the service.

Besides Power Saving and eco-efficiency calculations, the Company is adopting administrative actions for reducing energy use, so as to reduce expenditures on this resource. Two important changes adopted before 2009 have contributed to reducing the demand for energy: the shutting down of the former data processing center, and the revision of the class of energy contracted by the Company's head office for the commercial area. The different measures adopted by the Company for improving energy conservation and efficiency have led to a reduction in energy expenditures.

## Low energy-consumption products and services

In 2009, TIM offered its customers several alternative products in which the differentials are the lower consumption of energy and the use of alternative energies, the highlight being:

- The inclusion of Motorola W233 Eco in the Company's portfolio, a set with a longer battery life and which uses less energy.
- The inclusion of Samsung Solar E1107 in the Company's portfolio, the first set enabling users to charge the battery using solar energy. Solar affords uninterrupted autonomy for voice conversation of between 5 and 10 minutes after charging for an hour.

We do not yet have a methodology that enables us to measure the energy saved by TIM customers using these sets, since these savings also depend on customer behavior – for example, saving the cell phone battery or preferring to charge it with solar instead of electrical energy. In 2010 we intend to work with phone set manufacturers to develop a methodology capable of quantifying the improvements in energy consumption these cell phones afford.



Antenna

However, the company's initiative in offering environmentally friendly sets reflects the market's requirement for more conscientious consumption options, thereby contributing to disseminating this theme within society while increasing awareness of the question of sustainability.

- *Recarga Verde* (Green Reload) or TIM PDV is an online reload system activated from the cell phone, dispensing with the need for physical cards and contributing to reducing energy consumption in different ways. Paper savings in 2009 amounted to four tons, and plastic savings amounted to one ton, representing savings of over 32 million reload cards which ceased to be manufactured on account of TIM PDV, thereby contributing to reducing consumption of raw materials and, natural resources, not to mention fewer cards to dispose of.

In addition, online reloads reduce the CO<sub>2</sub> emissions arising from transporting the cards, reduce the risk of robbery, increase the availability of the product and customer convenience and satisfaction, as well as provide the market with leading-edge technology.

From August 2008, when TIM PDV was launched, until the end of 2009, there was a reduction of 45% in the share of sales of physical cards. Creating and implementing it was a response to the search for new technologies which were both economically and environmentally positive.

Today, over 90,000 points of sale offer the online reload option, and the expectation is that by December 2010, TIM PDV will be available at 150,000 points of sale throughout Brazil. For the retail market this innovation ensures the construction of a network of quality services, especially security, penetration in areas of risk and greater sales mobility and geographical reach.



Samsung Solar E1107 device



## Water

The source of the water used by TIM in its activities is predominantly the urban distribution system. The Company's activities are not water-intensive and consumption thereof does not have a significant impact on the availability of this resource for other users and systems.

In 2009 we continued to foster employees' awareness (on water consumption), encouraging both employees and service providers to change their habits.

WATER USAGE (m <sup>3</sup> /YEAR)	2007	2008	2009
RAINWATER WITHDRAWAL*	-	1,349	1,376
SUPPLY SYSTEMS	157,347	176,435	192,538
TOTAL	157,347	177,784	193,914
INCREASE IN VOLUME OF WATER CATCHMENT AGAINST THE PREVIOUS YEAR (%)	-	12,99	9,07

\* Volume of water catchment at TIM RJ (rain water).

The volume of water catchment in 2009 rose by 9.1% against the previous year in line with the expansion of operations. We adopted or intensified our initiatives intended for reducing to a minimum the demand for this resource by harvesting rain water, an initiative which saved 1.376 m<sup>3</sup>, representing 0.7% of the total catchment.

Furthermore, we make use of devices and equipment which help control the Company's water consumption, such as taps with a timer system, toilets with automatic flush and other water-saving elements.

In 2009 we continued to foster employee awareness, encouraging employees and service providers to change their habits.



## Climate Changes

Telecommunication services play an important role in the current global climate scenario, representing a more economical and clean alternative to keeping greenhouse gas emissions to a minimum. By enabling intensive use of technology, these services contribute to dematerializing the economy, by transferring the axis from industrial production to services. The convergence of several functions in a single set and less need for commuting are examples of this trend, according to a report published in 2008 by the independent not-for-profit organization, The *Climate Group and the Global e-Sustainability Initiative* (GeSI). This feature contributes to minimizing the economic impacts arising from occasional energy and fuel shortages and the consequent increase in their cost. Likewise, telecommunications offer solutions that are increasingly used to reduce the need for journeys that generate significant environmental impacts, especially air travel.

Besides the costs, society's increasing awareness regarding climate change may contribute to more people avoiding unnecessary traveling, preferring to use telecommunications. TIM's strategy, centered on the convergence of services and products in mobile networks, enables these demands to be met through technology.

Telecommunication services also contribute to significantly reducing emissions from manufacturing processes and logistic flows in a wide variety of industries.

By continually investing in technology and by making mobile communication accessible to all economic classes, TIM enables more people to have access to cell phones, which may reduce even further the need for travel.

On the other hand, the telecommunications industry – especially cell phone operators – are now facing important dilemmas and challenges, for example, high consumption of resources and materials and the resultant generation of waste on account of the frequent substitution of sets and accessories.

TIM's Environmental Policy includes encouraging the reduction of emissions of atmospheric pollutants, keeping waste production to a minimum and encouraging recycling, among other directives. To this end the Company has on-going mechanisms, practices and procedures intended for managing these aspects.

### Emissions

TIM considers the question of climate change strategic for its business and has been working to monitor its impacts and to position itself head on with the climate challenges. To do so, it maintains mechanisms and procedures for evaluating its emissions while making the topic internally transversal.

We participate in the Carbon Disclosure Project (CDP) program whose purpose is to understand and provide the market with transparency regarding the organization's greenhouse gas emissions by adopting strategies and management practices for keeping them to a minimum. Therefore, we monitor the different activities within the scopes defined by the GHG Protocol, including the burning of fossil fuel by our own vehicle fleet and by vehicles used by our sales consultants, the consumption of the energy we purchase and the emissions arising from air travel by our employees on business.

In order to understand the profile of its emissions, since 2008 TIM has drawn up its CO<sub>2</sub> inventory, retroactive to 2007, based on the GHG Protocol methodology, the directives of the United Nations Environment Programme (UNEP) and on the emission factors defined by the Brazilian Ministry of Science and Technology (MCT).

In 2009 we included new activities in our inventory. Within *Scope 1* we have included emissions arising from using diesel in the Company's generators. Within *Scope 3* we have included emissions involving the transportation of employees to and from work and the outsourced fleet used in distributing the products we offer at the points of sale. For now, the inventory only covers CO<sub>2</sub>, but we intend to include other greenhouse gases next year.

TIM also takes part in the *Empresas pelo Clima* (EPC) (Companies for Climate) program, a voluntary initiative launched in 2009 and coordinated by the Center for Sustainability Studies of the Getúlio Vargas Foundation (FGVCes), bringing together industry leaders concerned with climate questions worldwide and their effects.

The purpose of this platform is to develop a Brazilian protocol for preparing carbon inventories – taking into account the Brazilian energy system and the composition of our fossil fuels – helping participating companies in the work involving their inventories and fighting for improvements in legislation, so as to encourage a more conscientious approach by organizations in the face of climate changes. Looking ahead, this platform seeks to help companies achieve their greenhouse gas reduction goals and the action plans for achieving this objective. The only operator participating in the EPC, TIM believes that the initiative is in tune with its strategy of aligning itself with the climate change scenario.

### Carbon Inventory

In 2009 new activities were included in the Company's carbon inventory. This year we are monitoring our emissions arising from the following activities:

#### *Direct Emissions (Scope 1 – GHG Protocol):*

- Burning of fuel by our own fleet and by vehicles controlled by the Company (sales consultants);
- Burning of diesel used in the generators.

#### *Indirect Emissions (Scope 2 – GHG Protocol):*

- Consumption of purchased electricity.

#### *Other Emissions (Scope 3 – GHG Protocol):*

- Burning of fuel arising from employee air travel;
- Burning of fuel arising from employees' daily commuting; and
- Burning of fuel arising from the outsourced fleet responsible for distributing the products the Company offers at the points of sale.

	2008 (TON CO <sub>2</sub> )	2009 (TON CO <sub>2</sub> )	FACTORS
<b>SCOPE 1*</b>	<b>4,387</b>	<b>4,172</b>	
OWN FLEET	4,192	3,823	UNEP
GENERATORS	195	349	UNEP
<b>SCOPE 2</b>	<b>13,463</b>	<b>7,172</b>	
ELECTRICITY CONSUMPTION	13,463	7,172	MCT
<b>SCOPE 1 AND 2</b>	<b>17,850</b>	<b>11,345</b>	
<b>SCOPE 3</b>	<b>2,474</b>	<b>15,947</b>	
AIR TRAVEL	2,474	2,479	GHG PROTOCOL
EMPLOYEES' COMMUTING	-	12,849	GHG PROTOCOL
OUTSOURCED FLEET	-	619	UNEP

\* Scope 1 emissions referring to 2008 have been corrected on account of the inclusion of the emissions arising from burning diesel in the Company's generators.

**Scope 1**

In 2009 we included CO<sub>2</sub> emissions arising from burning diesel used in the Company's generators that year and retroactive to 2008.

The emissions arising from Scope 1 activities of the Company's inventory saw a reduction of 4.9%, in spite of the emissions arising from the consumption of diesel by the generators having risen by 79.2%. This increase is due to the higher frequency of power blackouts in some locations with a high incidence of rainfall and lighting. In addition, during the last quarter of the year, Brazil experienced blackouts that also affected the Company's network. This fact resulted in overtime use of generators in order to maintain the Company's network active.

**Scope 2**

Emissions arising from electricity consumption fell significantly (46.73%) on account of the drop in the emission factor provided by the Ministry of Science and Technology, which takes into account the Brazilian energy matrix and the supply via the National Interconnected System (SIN). (Emission factors: 2008 – 0.0484; 2009 – 0.0246).

That is why the 5% increase in the company's energy consumption in 2009 did not impact the emissions arising from this activity.

**Scope 3**

Scope 3 is the most significant, representing 58% of the Company's emissions. Emissions arising from employee air travel remained stable in 2009 in relation to 2008.

Besides air travel, we have included in this scope CO<sub>2</sub> emissions arising from the daily commuting of employees to and from the office and the outsourced fleet used for distributing the products we offer at our points of sale.

**Employee routes:**

A survey was carried out involving around 5% of our internal public in order to calculate the emissions arising from these journeys. Our survey took into account the fact that those employees who use cars as their major means of transport to and from work primarily use gasoline as fuel. We also took into account the composition of the gasoline produced in Brazil, which according to the National Petroleum Agency contains 25% of anhydrous ethyl alcohol fuel throughout Brazil.

**Outsourced fleet:**

In 2009 we began mapping the principal suppliers providing transportation services for distributing the products we offer at our points of sale. The emissions included in this report in the line referring to the outsourced fleet are equivalent to 25% of the transportation of these products. In 2010 we are planning to expand the suppliers included in this survey.

**Effluents**

All water disposed of at TIM uses the public sewage network, with final disposal defined by the companies responsible for this service. We do not dispose of effluents with a high environmentally negative impact, and no water body is significantly affected by the catchment and disposal of the water used in the Company.

## Waste

One of the sector's principal dilemmas is the electronic garbage generated from the disposal of cell phone sets and their accessories. The waste management policy at TIM contemplates keeping the production of waste to a minimum, while encouraging differentiated collection, recovery and recycling thereof.

The Company has procedures for correctly managing this environmental aspect, by monitoring, quantifying and controlling the waste generated, whether or not hazardous. The measures adopted for achieving these objectives are the Selective Collection Program intended for the internal public, and the programs intended for collecting and proper disposing of cell phone sets, batteries and accessories no longer in use. In 2009 we carried out internal awareness campaigns for selective collection by making available garbage cans for proper waste separation and collection.

We have two programs for collecting batteries, discarded cell phone sets and other accessories, ensuring that these are properly disposed of. Thus we are complying with specific legislation (Conama Resolution No. 401 and Law No. 4,836 of the State of Rio de Janeiro) which requires such procedures on the part of establishments selling this equipment.



Receptacles for collection  
of batteries, under the  
Papa Pilhas Program

## Sets, batteries and accessories

Discarded cell phones, accessories and portable batteries, in addition to batteries in general, are collected and forwarded for proper disposal through two programs:

### Recharge the Planet Program

The program makes available special receptables for depositing used batteries in own stores and head office buildings throughout Brazil. The Company also began collecting cell phones no longer in use and their respective accessories.

### "Papa-Pilhas" (Battery Eater) Program

In 2008 TIM expanded its battery collection activities in partnership with the "Papa-Pilhas" program developed by Banco Real Santander. TIM signed up to the idea which will gradually replace the Recharge the Planet Program, with the aim of making available "Papa-Pilhas" Program containers, where customers dispose of batteries and cell phones no longer in use and their respective accessories, among other items. By ensuring environmentally correct disposal, the company is also contributing to raising public awareness by avoiding contamination of the environment while minimizing the risks to public health arising from using this equipment.

The program also collects all types of batteries used in torches, radios, remote controls, watches, cell phones, cordless phones, laptop computers, digital cameras and other portable devices. Collection units can be found at all our offices and stores in the metropolitan regions of São Paulo, Rio de Janeiro, Minas Gerais and Paraná, and in the entire State of Pernambuco. Collection at the other stores occurs through the Recharge the Planet program.

In 2009 these programs collected 19 tons of electronic garbage, of which 0.6 tons were exported to Belgium and the United States where the material is decomposed and transformed into raw material for other manufacturing processes or used for generating energy for the decomposition process.

## Generation and disposal of waste

Total residue generated by TIM in 2009 did not vary significantly in relation to the previous year. However, taking each category separately – hazardous and non hazardous – there was a significant variation. The information in the tables below does not include waste collected through the “*Papa-Pilhas*” and Recharge the Planet programs.

Waste Generated:

TOTAL WASTE GENERATED (TON)	HAZARDOUS	NON HAZARDOUS	TOTAL
2009	88.4	738.2	826.5
2008	130.8	689.2	820.0

TOTAL WASTE GENERATED IN THE OFFICES (TON)	HAZARDOUS	NON HAZARDOUS	TOTAL
2009	5.6	541.3	546.9
2008	4.8	578.5	583.3

TOTAL WASTE GENERATED IN THE NETWORK (TON)	HAZARDOUS	NON HAZARDOUS	TOTAL
2009	82.8	196.8	279.6
2008	126.0	110.7	236.7

## Total weight of waste by type and disposal method

DISPOSAL	TOTAL 2009		TOTAL 2008	
	HAZARDOUS WASTE (TON)	NON HAZARDOUS WASTE (TON)	HAZARDOUS WASTE (TON)	NON HAZARDOUS WASTE (TON)
RETURN TO MANUFACTURER OR FORWARDING TO A SPECIALIZED SUPPLIER FOR PROPER FINAL DISPOSAL	82.8	-	126.0	-
RECYCLING	3.9	266.1	2.4	239.6
LANDFILLS	1.7	472.1	2.4	449.6



We recorded a 32% reduction in our hazardous waste generation. However, this result is not due to specific action by the Company for reducing its waste, but rather to the useful life cycle of the network area batteries, which is variable, with periods when the volume disposed of is significant, and others when this volume is smaller.

We noted an increase in the volume of hazardous waste forwarded for recycling, especially the volume of non hazardous waste generated in the offices, which rose by 188% in 2009 on account of improvements in the selective collection process and greater commitment of TIM employees to this matter.

The percentage of recycled office waste over total waste generated in the offices stood at 49%, exceeding our 2009 goal set at 43%. The goal for the acquisition of paper for the offices, where we expected a reduction of 2.1%, was also exceeded, reaching 11%.

In addition, we also exceeded our goal for collecting cell phones no longer in use, batteries and other accessories, established at 11 tons and which totaled at 19 tons.

Disposal of materials collected through the program for collecting sets, batteries and accessories:

#### Total waste generated in the offices and forwarded for recycling

	2009 (TON)	2008 (TON)
HAZARDOUS RUBBISH	3.88	2.45
NON HAZARDOUS RUBBISH	162.20	56.24
PAPER	103.88	183.35

2009	TON
RECYCLING	1.3
EXPORT	0.6

2008	TON
RECYCLING	3.4
EXPORT	3.7

\* The remainder of the material is with the transportation company, which will properly dispose of it once a significant volume of waste is obtained.

In addition, we also exceeded our goal for collecting cell phones no longer in use, batteries and other accessories, established at 11 tons, and which totaled 19 tons.

## Spillages

In the period covered by this report there was no significant spillage.

## Environmental Impact of Products and Services

Our activity implies impacts and risks, some of them not entirely known or defined, like the effects of electromagnetic emissions from antennae on human health and animal wellbeing.

On the other hand, the telephony and general communication services we provide make a strong contribution reducing the need for travel, and as a result they have a positive environmental impact. Another contribution worthy of note is the concentration of different functions in a single set, which tends to reduce the demand for raw materials, thereby partly balancing the negative impacts.

Our environmental policy, in addition to providing for improved efficiency in energy and natural resources while minimizing adverse impacts in general, seeks to take into account the life cycle of the products and services in our portfolio through the following directives:

- To promote the acquisition, consumption and sale of products with a smaller environmental footprint;

- To strive to prevent post-consumption damage, by developing programs for the collection and environmentally correct disposal of potentially hazardous products and inputs.

Several measures in this respect adopted by the Company in 2009 involved:

- Acquisition of sets that use innovative technologies that generate a lower environmental impact;
- Use of technological alternatives that save resources, such as online reloads using TIM PDV, described in detail in this report;
- Implementation of energy consumption optimization programs;
- Internal awareness campaigns aimed at reducing consumption of paper, water and energy, in addition to selective collection;
- Disclosure of the theme to customers through competitions disclosed on the website, involving the submission of phrases about sustainability

The effects of these efforts on the use of energy – translated quantitatively into eco-efficiency in energy – can be seen in this report. In the case of TIM PDV, over 32 million cards ceased to be manufactured in 2009.

Case: Samsung Solar

Within the strategy of introducing environmentally friendly solutions to the Brazilian market, TIM launched the first set that enables the user to charge the battery using solar energy. This is the *Samsung Solar* (E1107).

*Samsung Solar* prioritizes the joint use of technology and natural resources, in line with TIM's objectives of fostering more conscientious consumption through alternative technologies for users in tune with its sustainability strategy. *Solar* affords uninterrupted autonomy for voice conversation of between five and ten minutes after charging for an hour.

Environmental Penalties and Violations

TIM's environmental policy includes environmental licensing, establishing directives in the search to comply with legislation by meeting all social and environmental requirements. The Company's environmental liabilities have been identified and disclosed in accordance with a resolution of the Brazilian Securities Commission (CVM) and funds have been provisioned for their remedying.

Seeking to perfect its management process in accordance with the regulations, the Company has hired specialized personnel to identify and keep up to date the environmental legislation applicable to the business, in addition to controlling and monitoring compliance in this respect.

Non monetary penalties and sanctions involving environmental aspects

	2008	2009
NUMBER OF PENALTIES	40	143
TOTAL VALUE OF THE PENALTIES (R\$)	R\$40,330.12	R\$1,683,061.90
TOTAL NUMBER OF NOTIFICATIONS	130	165

In 2009 we paid R\$1,683,061.90 in penalties involving notifications by environmental bodies, on account of the absence of environmental licensing for the antennae. Based on the criteria of the Brazilian Institute for the Environment and Renewable Natural Resources (IBAMA), the activity we pursue is not potentially polluting. Furthermore, we are in compliance with the provisions of the Anatel resolution in regard to the radiation emitted by our antennae.

The significant growth in the amounts regarding environmental penalties was to a large extent caused by the absence of environmental licensing for several BTS which the Company has installed in recent years, together with stricter inspection on the part of the environmental bodies. Of the notices and penalties above, 135 amounting to R\$675,000.00 are being challenged at court under writ of mandamus filed by the Brazilian Association of Competing Providers of Telecommunications Services (TELCOMP) against the act of the Superintendence of the SUDEMA-PB, a preliminary injunction having been granted suspending the effects of the notices.

### Instruments for adjustment of conduct in respect of environmental aspects

In cases of TIM operations maintained in Permanent Protection Areas (APP), wherever possible we look to enter into Instruments for Adjustment of Conduct (TACs). It should be pointed out that the TACs mentioned were entered into so as to avoid civil proceedings.

In 2009, two TACs were ongoing:

	2008	2009
TOTAL TACs ENTERED INTO IN THE PERIOD	4	0
TOTAL ONGOING TACs	3	2
TOTAL TACs EXTINGUISHED IN THE PERIOD	2	0

The ongoing TACs were:

**Pico do Jabre APP:** TAC entered into between TIM Nordeste, the Public Prosecutors Office of the State of Paraíba and SUDEMA 2008, under which TIM agreed to donate equipment, make the Personal Mobile Service available to the population of the municipality of Maturéia and to implement direction signs. In consideration, the clearance of vegetation was authorized on an area of 144m<sup>2</sup>.

**Belo Horizonte, Minas Gerais:** TAC entered into between TIM Nordeste S/A and the Public Prosecutors Office of Minas Gerais, in order to adapt the Company's activities to the environmental and urban development legislation of the municipality. TIM agreed to implement a program for monitoring electromagnetic radiation, possible environmental damage caused by installing the antennae without the environmental licenses and donating equipment to the Municipal Sub-Department of the Environment.

### Investment in the Environment

Investments by TIM in environmental protection are in line with its environmental policy, the following directives being worthy of note:

- Keeping an open communication channel with stakeholders, dealing with occasional notifications, observations or complaints, so as to improve management of its own environmental impacts;
- Encouraging technological research in the search for creating services and products that keep adverse impacts to a minimum;
- Disclosing the directives and encouraging the internal and external publics to participate in awareness actions and campaigns, fostering a responsible approach in regard to the environment. Encouraging suppliers, partners and sub-contractors to adopt these principles.

TOTAL INVESTMENTS AND EXPENDITURES IN ENVIRONMENTAL PROTECTION (R\$ THOUSANDS)	2008	2009
MAINTENANCE OF OPERATING PROCESSES FOR ENVIRONMENTAL IMPROVEMENT	305	204
VOLUNTARY PRESERVATION AND/OR RECUPERATION OF DEGRADED ENVIRONMENTS	51	-
INITIATIVES FOR EDUCATING THE INTERNAL PUBLIC IN ENVIRONMENT-RELATED MATTERS	8	55

The volume of funds invested in the environment in 2009 was R\$259,000, 28.8% less than the previous year's investments, which stood at R\$364,000. The main reason for this decline was the cancellation of the principal cultural events sponsored by the Company, the TIM Festival and the TIM Awards, whose carbon emissions were neutralized by planting trees in partnership with the "Iniciativa Verde" (Green Initiative) NGO.

Of the amount invested in 2009, 78.8% were spent on maintaining the program for collecting sets and batteries. These expenditures refer to the program's logistics. The other 21.2% were channeled to hiring consultancy, in addition to training and qualification activities for the internal public, with the emphasis on implementing the Environmental Management System (ISO 14001).

# Social Performance



## People

The relationship between TIM Participações and people is at the core of all matters linked to Social Development. As a services Company, we are sure that our most important asset is our staff, accounting for our major results and success in the interface between our Company and its customers, suppliers and stakeholders. The nature of our services – mobile communication – is intimately linked to the individuals and their personal and professional daily lives. Our respect for such interfaces is reflected in our Social Responsibility Policy, which was disclosed in 2009 and is available on website.

Focusing on the issues highlighted in the Materiality Matrix, this section presents an overview of the relationship with our stakeholders within our social relationships. We seek to show an x-ray of our work relationship with our staff, and subsequently address the relevant aspects of our relationship with the customers, the community, society and the government, always having in mind their effect on people.

## Relationship with Internal Public

TIM's actions towards its internal public are based on the Global Compact, on the guidelines established by Telecom Italia and on our Code of Ethics, an important document describing the attitudes that reflect our culture and values. The set of eight principles recommended in the Code of Ethics – which serves as a guide for all employees – expresses our practices with respect to both our individual performance and the mentioned interactions. Such values are as follows: **Pro-activity, Transparency, Speed, Professional Excellence, Focus on Customers, Team Spirit, Innovation and Entrepreneurship.**

The Human Resources and Safety department reports directly to the CEO and is responsible for the policies regarding human rights and working conditions.

We have adopted the following concepts in the preparation of this report. "Collaborators" represents the group of our employees, apprentices and interns. "Internal public" is the sum of our collaborators and administrative outsourced staff.

We are sure that our most important asset is our staff, accounting for our major results and success in the interface between our Company and its customers, suppliers and stakeholders.

## Employment

In 2009 our internal public totaled 10,140 persons, including employees, interns, apprentices and administrative outsourced staff. Personnel on payroll accounted for 91% (9,231) of this total. Over the year, our headcount declined 11.5% against 2008, as a result of a necessary restructuring carried out by the Company. One example is the outsourcing process of our own stores, which included a significant number of dismissals, and affected our turnover and absenteeism goals foreseen for 2009.

Headcount reduction was sharper among the administrative outsourced staff (27%). Unlike what occurred with our own stores, performance of certain activities were transferred by the Company itself, which allowed the use of part of these outsourced employees in its structure.

At the end of the year, we launched a program to recruit young professionals – *Talentos sem fronteiras* (Talents without borders) – in order to fill out strategic functions, totaling 100 positions. The program will start in 2010 and will last three years.

INTERNAL PUBLIC BY TYPE OF RELATIONSHIP WITH THE COMPANY	2008	2009	% OF TOTAL INTERNAL PUBLIC	
			2008	2009
EMPLOYEES	10,296	9,231	89.8%	91.0%
APPRENTICES	144	158	1.3%	1.6%
INTERNS	297	224	2.6%	2.2%
<b>TOTAL COLLABORATORS</b>	<b>10,737</b>	<b>9,613</b>	-	-
OUTSOURCED STAFF – ADMINISTRATION	723	527	6.3%	5.2%
<b>TOTAL INTERNAL PUBLIC</b>	<b>11,460</b>	<b>10,140</b>	-	-

NUMBER OF EMPLOYEES BY REGION	2008	2009
SÃO PAULO REGIONAL OFFICE	1,458	1,554
RIO DE JANEIRO REGIONAL OFFICE	454	278
SOUTHERN REGION OFFICE	747	630
MIDWESTERN REGION OFFICE	401	315
EAST REGION OFFICE	597	416
NORTHEASTERN REGION OFFICE	614	439
NORTHERN REGION OFFICE	359	267
HEADQUARTER	1,329	1,535
OWNED CUSTOMER RELATIONSHIP CENTERS	4,337	3,797

In our headquarters and regional offices, the 16.7% reduction in the number of employed women was above the general average. The reduction of 31% in the number of employed women was concentrated on our sales force and stores.



HOLDING COMPANY AND REGIONAL OFFICES (% OF TOTAL NUMBER OF EMPLOYEES IN THE POSITION)	MEN		WOMEN		OVERALL TOTAL	
	2008	2009	2008	2009	2008	2009
EXECUTIVE OFFICERS	95.7%	96.6%	4.3%	3.4%	23	29
MANAGERS	76.8%	74.8%	23.2%	25.2%	310	286
COORDINATORS	63.2%	64.7%	36.8%	35.3%	457	411
PROFESSIONALS	53.4%	53.5%	46.6%	46.5%	2,852	2,770
SALES FORCE/STORES	42.4%	46.3%	57.6%	53.7%	2,317	1,718
RELATIONSHIP/FRAUD ADVISORS	0.0%	0.0%	100.0%	100.0%	2	1
INTERNS	56.3%	57.0%	43.7%	43.0%	295	221
APPRENTICES	26.2%	32.5%	73.8%	67.5%	126	117
<b>TOTAL</b>	<b>51.0%</b>	<b>53.1%</b>	<b>49.0%</b>	<b>46.9%</b>	<b>6,382</b>	<b>5,553</b>

The reduction was lower (6.7%) in our Customer Relationship Center (CRC), indicating the importance of this channel of communication with the market and our strategic goal, which is to enhance our customers' satisfaction level. In this area, the reduction was homogeneous and it did not concentrate on any particular segment.

CRC (% OF TOTAL NUMBER OF EMPLOYEES IN THE POSITION)	MEN		WOMEN		OVERALL TOTAL	
	2008	2009	2008	2009	2008	2009
MANAGERS	33.3%	40.0%	66.7%	60.0%	6	5
COORDINATORS	36.0%	26.1%	64.0%	73.9%	25	23
PROFESSIONALS	34.6%	32.1%	65.4%	67.9%	373	364
RELATIONSHIP/FRAUD CONSULTANTS	22.4%	21.9%	77.6%	78.1%	3,933	3,624
INTERNS	100.0%	100.0%	0.0%	0.0%	2	3
APPRENTICES	43.8%	36.6%	56.3%	63.4%	16	41
<b>TOTAL</b>	<b>23.7%</b>	<b>23.0%</b>	<b>76.3%</b>	<b>77.0%</b>	<b>4,355</b>	<b>4,060</b>

At the end of the year, we launched a program to select young professionals – “*Talentos sem fronteiras*” (Talents without borders) – in order to fill out 100 strategic positions.

### Years with the Company

TIM's team primarily comprises employees who have been working for the Company from two to five years, and account for almost 60% of the total staff. There was a reduction from 32.1% to 20.3% in the number of employees working for less than one year in the Company.

COLLABORATORS BY YEARS WITH THE COMPANY	% OF TOTAL NUMBER OF EMPLOYEES	
	2008	2009
UP TO 1 YEAR	32.1%	20.3%
FROM 2 TO 5 YEARS	49.6%	58.8%
FROM 6 TO 10 YEARS	15.4%	15.4%
FROM 11 TO 20 YEARS	2.1%	4.8%
FROM 21 TO 30 YEARS	0.5%	0.5%
ABOVE 30 YEARS	0.3%	0.2%
<b>ABSOLUTE NUMBER OF EMPLOYEES</b>	<b>10,737</b>	<b>9,613</b>



## Diversity and equal opportunities

The approach to diversity is one of the standouts of our Social Responsibility Policy, which has been effective since 2009. Pursuant to our policy, diversity is a value and a practice to be fostered across all the Company's relationships and any negative or embarrassing discrimination form or expression in work relations is strongly disapproved in addition to being prohibited.

### Gender

Women comprise the majority of TIM's employees. They account for almost 60% of the total. This percentage is even higher in the CRCs, reaching 77% in most positions and functions. In this area of

the Company, women occupy 60% of management positions and 73.9% of coordination positions. At our headquarters and regional offices, women occupy 3.4% of executive positions, 25.2% of management positions and 35.3% of coordination positions, and account for 46.9% of the Company's total headcount.

### Education

Almost one third of our employees hold a university degree or a graduate, master's or PhD degree. Most employees (66.3%) have completed high school studies and only 1% has attended only basic education.

COLLABORATORS BY EDUCATION LEVEL	% OF TOTAL NUMBER OF EMPLOYEES	
	2008	2009
ILLITERATES	0.0%	0.0%
COMPLETE BASIC EDUCATION STUDIES	1.3%	1.3%
COMPLETE SENIOR HIGH SCHOOL STUDIES	67.6%	66.3%
COMPLETE UNIVERSITY STUDIES	25.6%	26.5%
HOLDS GRADUATE/MASTER'S/PHD DEGREES	5.5%	5.9%
<b>ABSOLUTE NUMBER OF EMPLOYEES</b>	<b>10,737</b>	<b>9,613</b>

### Age Group

Our staff is essentially young, with approximately 80% of people between 18 and 35 years old. The second most numerous age group is from 36 to 45 years old, and includes 15.2% of our employees.

COLLABORATORS BY AGE GROUP	% OF TOTAL NUMBER OF EMPLOYEES	
	2008	2009
LESS THAN 18 YEARS OLD – APPRENTICES	0.6%	0.7%
FROM 18 TO 35 YEARS OLD	82.5%	80.1%
FROM 36 TO 45 YEARS OLD	13.6%	15.2%
FROM 45 TO 60 YEARS OLD	3.3%	3.9%
ABOVE 60 YEARS OLD	0.1%	0.1%
<b>ABSOLUTE NUMBER OF EMPLOYEES</b>	<b>10,737</b>	<b>9,613</b>

### Color/Race

This indicator did not change significantly in 2009 and relies on the employees' own statements based on the criteria established by the Brazilian Institute of Geography and Statistics (IBGE). Seventy eight percent of TIM's collaborators are white. Together, mixed-blood and black persons account for 19.5% of our employees.

COLLABORATORS BY COLOR/RACE	% OF TOTAL NUMBER OF EMPLOYEES	
	2008	2009
WHITE	78.4%	78.8%
BLACK	3.7%	4.0%
MIXED-BLOOD	15.4%	15.5%
YELLOW	0.3%	0.3%
NATIVE INDIANS	0.6%	0.7%
NOT INFORMED	1.6%	0.8%
<b>ABSOLUTE NUMBER OF EMPLOYEES</b>	<b>10,296</b>	<b>9,613</b>

### Diversity in Governance

The Company does not promote actions aiming at guaranteeing or expanding the diversity or participation and representativeness of all social groups in the groups responsible for its governance, to wit, the Board of Directors, the Board's Secretary General, the Fiscal Council, the Executive Board and the Committees. The current composition of such groups – which are predominantly composed of white men between 36 and 60 years old – does not represent the same diversity profile seen in the Company's operating units.

Total participants in the groups responsible for TIM's Corporate Governance by gender:

	2008	2009
MEN	20	18
WOMEN	3	2

Total participants in the groups responsible for TIM's Corporate Governance by color/race:

	2008	2009
WHITE	23	20
BLACK	0	0
MIXED-BLOOD	0	0
YELLOW	0	0
NATIVE INDIANS	0	0

Total participants in the groups responsible for TIM's Corporate Governance by age group:

	2008	2009
FROM 18 TO 35 YEARS OLD	0	0
FROM 36 TO 45 YEARS OLD	5	7
FROM 45 TO 60 YEARS OLD	10	4
ABOVE 60 YEARS	8	9

In 2009, we improved the balance between salaries paid to men and women in almost all positions, especially CRC's officers/managers.

## Gender and Salaries

Our wage policy is not attached to any type of discrimination and reflects the market's behavior. In 2009, we managed to improve the balance between the salaries offered to men and to women in almost all positions, especially regarding CRC executive officers/managers, since the average women's salaries were 32% higher than men's. Regarding CRC coordination positions, the significant difference recorded in 2008 dropped by 50% in 2009.

### Proportion between nominal salaries paid to men/women

HOLDING COMPANY AND REGIONAL OFFICES	2008	2009
EXECUTIVE OFFICERS/ MANAGERS	1.35	1.32
COORDINATORS	0.98	1.01
PROFESSIONALS	1.24	1.20
SALES FORCE/STORES	2.24	1.37

CRC	2008	2009
EXECUTIVE OFFICERS/ MANAGERS	1.19	0.68
COORDINATORS	3.00	1.45
PROFESSIONALS	1.08	1.17
RELATIONSHIP CONSULTANTS	1.06	1.0

Note: Nominal Salary: The fixed amount paid to an employee for the performance of their duties. This does not include additional compensation, such as those based on seniority, overtime, bonus, payment of benefits or any other additional amounts.

Note: Figure one indicate higher salaries for men compared with women. Figure two indicate higher salaries for women compared with men.

### Turnover

Our goal was to reduce the turnover rate from 2.8% per month in 2008 to 2.2% per month in 2009. The outsourcing involving our own stores resulted in a significant number of dismissals and was the principal reason for this indicator to be at 2.5% per month. Despite being lower than the rate recorded in 2008, it was still below the expected target. In 2009, the turnover rate reached 30.2% against 33.9% in 2008, as set forth in the table below:

	2008		2009	
	DISMISSALS	TURNOVER	DISMISSALS	TURNOVER
VOLUNTARY	1,662	16,56	1,298	12,61
INVOLUNTARY	1,743	17,36	1,813	17,61
TOTAL	3,405	33,92	3,111	30,22

Turnover = number of dismissals divided by the headcount of the previous year.

	2008	2009
EMPLOYEES HIRED*	3,662	2,041
EMPLOYEES DISMISSED**	3,405	3,111
NO. OF EMPLOYEES	10,296	9,231

EMPLOYEES HIRED AND DISMISSED BY GENDER	2008		2009	
	MEN	WOMEN	MEN	WOMEN
EMPLOYEES HIRED	1,269	2,393	829	1,212
EMPLOYEES DISMISSED**	1,362	2,043	1,213	1,898
NO. OF EMPLOYEES	4,076	6,222	3,701	5,530

\* Considers external recruiting only

\*\* Considers dismissals for death and retirement



## Compensation and benefits

Our Company offers a wide set of benefits to its employees, irrespectively of the operating unit in which they work, including medical and dental assistance, life insurance, private pension, meal voucher, grocery ticket, transportation ticket and day care allowance. The executive officers and managers are also entitled to international medical assistance, and managers are entitled to vehicle and fuel. All employees participate in the Company's profit sharing program. The executive officers, managers and coordinators receive MBO-based compensation, and the other employees are entitled to profit sharing (PLR).

AMOUNTS SPENT WITH BENEFITS, BY TYPE OF BENEFIT (SOCIAL BALANCE SHEET – IBASE) – R\$ THOUSAND	2008	2009
<b>FOOD</b> EXPENSES WITH RESTAURANT MEALS, MEAL TICKETS, SNACKS, STAPLE BASKET AND OTHER ITEMS RELATED TO FOOD PROVISIONS	42,683	43,028
<b>PRIVATE PENSION</b> SPECIAL RETIREMENT PLANS, PENSION FOUNDATIONS	6,803	3,354*
<b>HEALTH</b> HEALTH PLANS, MEDICAL ASSISTANCE, PREVENTIVE MEDICINE, LIFE QUALITY PROGRAMS AND OTHER EXPENSES WITH HEALTH, INCLUDING RETIREMENT	32,076	34,580
<b>OCCUPATIONAL HEALTH AND SAFETY</b>	3,042	2,950
<b>EDUCATION</b> EXPENSES WITH REGULAR EDUCATION AT ALL LEVELS, REFUNDING OF EXPENSES WITH FORMAL EDUCATION, SCHOLARSHIPS, MAGAZINE SUBSCRIPTIONS, LIBRARY EXPENSES (EXCEPT PERSONAL ITEMS) AND OTHER EXPENSES RELATED TO EDUCATION	594	383
<b>CULTURE</b> EXPENSES WITH EVENTS AND ARTISTIC AND CULTURAL EXPRESSIONS (MUSIC, THEATER, CINEMA, LITERATURE AND OTHER ARTS) FOR THE INTERNAL PUBLIC	0	0
<b>PROFESSIONAL TRAINING AND DEVELOPMENT</b> RESOURCES INVESTED IN TRAINING, COURSES, INTERNSHIPS (EXCEPT SALARIES) AND EXPENSES SPECIFICALLY ASSIGNED TO QUALIFICATION PROGRAMS RELATED WITH THE EMPLOYEES' ACTIVITIES	14,050	7,615
<b>DAY CARE CENTER OR DAY CARE ALLOWANCE</b> LOCAL DAY CARE CENTER OR DAY CARE ALLOWANCE TO EMPLOYEES	1,616	1,813
<b>PROFIT SHARING</b>	32,702	18,344**
<b>OTHERS</b> INSURANCE (LEISURE ACTIVITIES, TRANSPORTATION, HOUSING AND OTHER BENEFITS OFFERED TO EMPLOYEES AND NOT DETAILED ABOVE)	11,977	12,045

\*Reduction due to the discount of global account balance in the payment of invoices (related to dismissals).

\*\* Reduction due to change in Multiple (2008 – 1.8 salary, 2009 – 1.2 salary)

AMOUNT SPENT WITH SOCIAL CHARGES	2008 (R\$ THOUSANDS)	2009 (R\$ THOUSANDS)
TOTAL COMPULSORY SOCIAL CHARGES	128,584	131,456

Labor relations

TIM respects the employees’ rights of freedom of association and collective bargaining in accordance with the Brazilian laws, policies and other directives to which the Company is a subscriber, as, for example, the Global Compact. All our employees are included in the agreements entered into through collective deals. However, TIM does monitor the operations in which the employees’ rights related to freedom of association or negotiations may be endangered.

The Company internally discloses unions’ publications, schedules meetings between the parties and allows the free access of unionists to its premises.

The employees are free to join the union of their category (Sinttel) and 100% of them are represented by worker’s unions, as foreseen in the Brazilian law. We negotiate 85 collective bargaining agreements per year with 27 unions.

The principal issues discussed in the latest agreement were salary adjustment (in accordance with inflation), benefits package (which remained the same) and reduction in working hours, from 44 hours per week in 2008 to 42 hours per week in 2009, and to 40 hours per week as of January 2010. This agreement does not apply to employees working at our stores (44 hours/week) and Call Center (36 hours/week).

Our collaborators are informed about the implementation of operational changes that may affect them. However, the minimum term for disclosing this communication has not been established.

	2008	2009
NUMBER OF UNIONS REPRESENTING THE COMPANY’S EMPLOYEES	27	27
NUMBER OF EMPLOYEES COVERED BY COLLECTIVE BARGAINING AGREEMENTS	10,296	9,231
TOTAL NUMBER OF EMPLOYEES	10,296	9,231

## Occupational health and safety

We operate in a preventive manner by maintaining a wide structure related to the health and safety of our employees and fostering the implementation of improvements and controls of the initiatives developed.

There are 13 Internal Commissions for Prevention of Occupational Accidents (Cipa) distributed among our units with over 50 collaborators. The Cipa commissions are formed by collaborators who are appointed by the Company's executive body and by employees appointed by their peers, in the proportion of 50% for each group. A person is trained to be in charge of performing prevention activities in units where there isn't a minimum number of employees.

In addition to the Cipa, we count on the Specialized Service of Safety Engineering and Occupational Medicine (SESMT), which is formed by occupational safety engineers, physicians and occupational nursing technicians. The SESMT is present in TIM's major offices throughout Brazil. This group organizes specific trainings, such as the Fire Brigade and the Environmental Risks

Prevention Program (PPRA), in addition to various conferences on health and safety awareness. Once a year, we organize the Internal Accidents Prevention Week (SIPAT), which takes place simultaneously in all the Company's units in Brazil.

More than 75% of the employees are represented by these committees, which record all the occurrences related to occupational accidents or diseases.

In addition to the actions taken by these Committees, in 2009 we organized programs on training and prevention of serious diseases for our internal public. Such programs were carried out through internal communication means, conferences, meetings, drama interventions and vaccination campaigns, and specially focused on: AIDS/STD, Tabagism, Alcoholism, Vaccination (Influenza, Measles, Yellow Fever).

The indices relating to occupational accidents improved in 2009 against 2008, as set forth below, and no serious occurrences were registered:

OCCUPATIONAL ACCIDENTS	2008	2009
NUMBER OF ACCIDENTS NOT INVOLVING ABSENCE FROM WORK*	8	5
NUMBER OF ACCIDENTS INVOLVING ABSENCE FROM WORK*	55	36
FREQUENCY RATE NUMBER OF ACCIDENTS INVOLVING ABSENCE PER MILLION OF MEN-HOURS WORKED	2.68	2.59
SEVERITY RATE NUMBER OF DAYS LOST GIVEN TO ACCIDENTS PER MILLION OF MEN-HOURS WORKED	198.33	52.59

\* Absence refers to the absences registered in the Occupational Accidents Communication System (CAT).

Growing occupational diseases rates are due to the application of the Welfare Epidemiologic Technical Nexus (NTEP), which is regulated by the National Social Security Institute (INSS). The NTEP is applicable whenever there is a statistical relationship between the International Classification of Diseases (ICD) and the National Classification of Economic Activities (CNAE).

OCCUPATIONAL DISEASE	2008	2009
CASES OF OCCUPATIONAL DISEASES REGISTERED DISEASES DERIVING FROM OCCUPATIONAL SITUATIONS OR ACTIVITIES, OR OCCUPATION-RELATED INJURIES	47	61

**Absenteeism**

The target established for 2009, which was to reduce absenteeism rate from 3.5% to 3.2% has not been achieved, reaching 4.5%.

This target has not been attained due to the outsourcing process involving our own stores, which included a significant number of dismissals and reduced the headcount base used to calculate the absenteeism rate, while a proportional reduction in the volume of employees dismissed did not occur.

**Prevention of diseases**

TIM is constantly attentive to activities involving higher risks or indices of occupational disease, which are those arising at Customer Relationship Center and the assistance offered in the Company's stores. In order to reduce risks, we carry out programs such as the *"Ginástica Laboral"* (Labor Gymnastics) and the *"Blitz de Postura"* (Posture Raid). The employees' posture is periodically assessed against ergonomic principles.

The TIM Life Quality Program stimulates healthy life habits among the Company's employees. It includes voice conservation practices, periodical vaccination campaigns, practice of physical exercises, anti-tobacco discussions, medical control of occupational health, checkup for executives, relaxation room, yoga and shiatsu practices, and a Healthy Food Program focused on nutritional reeducation.



### Training and Development

Due to the reorganization of certain areas of the Company, its training programs have also been impacted in 2009, resulting in lower investments and less training hours per employee, given our need to give priority to training actions which would have a direct impact on our business in 2009.

Within this context, we haven't reached but partially our annual target of 715,000 training hours, totaling only 456,606 hours in 2009.

On the other hand, we exceeded our 95.2% training coverage target regarding the number of persons who participated in training practices at least once in 2009, reaching 98%. The 46% target established for sustainability training practices involving our managers was also exceeded, since 73% of them participated at least once in trainings related to this issue.

### Harvard Training

As a means to stimulate and award our sales executives regarding the achievement of the established goals, we developed an international education partnership with Harvard University, in the United States, through a 40-hour program named *Changing the Game: Negotiation and Competitive Decision Making*. In 2009, six of our managers attended the program, whose total investment amounted to R\$120,000. The program's return was very positive and we intend to continue offering it in 2010.

### Higher Education for the CRC

Initially deployed in 2009, this program's purpose is to stimulate higher qualification rates among 100 employees, preferably from the CRC and the Sales force, showing outstanding performance, by offering a university degree in Business Management. In 2009, we focused on the disclosure of the Program and on holding the admission exam, approving 61 participants and forming the first pilot team, with 10% of the eligible candidates. In 2010, we will monitor the Program's indicators.

### Management by competency with a view to the employability of our staff

TIM maintains programs with the purpose of developing the competencies needed for the achievement of its business goals. Additionally, these programs seek to ensure the preparation of its staff, always having in mind the challenges and future scenarios, as well as technology and market advances.

The initiative includes actions such as programs of Advanced Executive Education, MBA, External Seminars, Language and Specific Technical Training – Sales, Customer Service, Network and IT –, which are focused on technical qualification and refreshing for the performance of professional activities.

Our Relationship Consultants (CRs) are evaluated every month through the Excellence Consultant Program, which provides the indicators for the “*Crescer*” (Growing) Program, whose goal is to foster professional improvements among the employees at our CRCs. The collaborators are evaluated against quality, production, behavior and collective indicators, and are encouraged to participate in training programs and seek excellence in the quality of the services provided by TIM to its customers.

The results of this evaluation are shared with the employees and will serve as the basis for decisions regarding their professional development. The annual average of these results is converted into a concept that synthesizes the performance of the CR, which should be aligned with the Company's process of corporate Performance Management. Since 2008, the program has analyzed the performance of approximately 3,500 CRs.

In case of dismissals, TIM's practice includes hiring the services of specialized outplacement firms to help the Company with the professional replacement of some executives on the labor market.

### Performance review and career development

Every year, TIM carries out the performance review of its employees based on the activities and objectives established for the period and the Group competencies defined for each function. Regarding managers, the result of activities and objectives are appraised, as well as their alignment with the Group's management model. After this review, the manager and the collaborator participate in a feedback meeting to establish a consensus on the competencies to be developed in the coming year.

Subsequently, the Individual Development Plan for each collaborator is prepared and the actions to be taken are defined so as to support the development of such competencies.

In 2009, 5,196 employees (56% of the total) were eligible to the performance review, and 96% were in fact appraised. The criteria for eligibility to participate in the Individual Development Plan considers the employees who worked in the Company for a period of at least six months in 2009, or who were hired before June 30, 2009. CRC employees are not eligible to the evaluation since they participate in the Excellence Consultant evaluation program.

The moves related to the collaborators' careers and merits derive from these reviews and development plans.

After this review, the manager and the employee hold a feedback meeting to establish a consensus on the competencies to be developed in the coming year.

### Relationship with External Stakeholders

#### Relationship with customers

The Company's principal assistance channel is the Customer relationship center (CRC), which receives suggestions and answers the requests of consumers through e-mail, telephone, fax, mail or our website [www.tim.com.br](http://www.tim.com.br). The contacts with consumers are recorded in our Customer Relationship Management (CRM) system, and phone requests are answered online or within five days, in case a more detailed analysis is needed.

The CRC has 11 customer assistance sites distributed over four regions. Some of these sites include cells which give assistance to specific customer segments, such as the Premium Group, for high net worth individual consumers, or the LA Premium group, for major corporate customers. The CRC also counts on the support of the Analysis and Solution Group (GAS), whose purpose is to assist and resolve customer complaints with the support of consultants who receive specialized training and have the empowerment and tools to offer assistance to requests related to invoicing and added-value services (VAS).

In 2009, other service channels were further strengthened, such as the Unstructured Supplementary Service Data (USSD), a technology, which provides for activation of services on our website, and the use of the channel "*Fale com a TIM*" (Speak with TIM); the Interactive Voice Response (IVR), which allows for consumers to access self-assistance devices to block or unblock lines or request copies of invoices; and the "*Fale pelo Cliente*" (Speak for the Customer) intranet channel, through which the employees are able to refer user's problems and doubts directly to the CRC.



### Customer Satisfaction

Compared with the previous year, there was a 66% reduction in 2009 regarding the waiting time between the call and the beginning of the service, which reflects TIM's efforts to adapt to

the provisions of Law No. 6523 (General Guidelines for Consumer Service – SAC). The number of incoming calls registered a small reduction of 3%.

SERVICES	2008	DECEMBER 2009
TOTAL CALLS RECEIVED BY THE CRC	152,744,614	148,206,990
AVERAGE WAITING TIME ON CRC'S PHONE LINES UNTIL THE BEGINNING OF THE SERVICE	121" (2'01"")	41"
TOTAL SERVICES BY THE OMBUDSMAN	8,264	5,892

Note: the reduction in the number of calls served by the Ombudsman reflects the operational efficiency project implemented in 2009, which concentrated, on one single central unit, the traffic previously operated by the regional ombudsman offices, which included a significant number of internal requests.

### Research

Counting on the support of specialized external institutes, TIM carries out monthly surveys on customer satisfaction regarding

one specific service area, in addition to two half-yearly surveys which measure customer satisfaction with all the Company's areas. Customer satisfaction levels improved in 2009, as indicated below.

According with these studies, customer dissatisfaction is concentrated on phone service (delay in replying and ability to solve problems), promotions (lack of promotional actions) and coverage (absence of signal in some areas).

	2008	2009
AVERAGE SATISFACTION GRADE (IN GENERAL) ATTRIBUTED BY INDIVIDUAL CUSTOMERS	8.06	8.28
AVERAGE SATISFACTION GRADE ATTRIBUTED BY INDIVIDUAL CUSTOMERS TO CRC SERVICES	7.30	7.64

Note: the above grades refer to the average grades informed in the half-yearly surveys held in 2009.

### Managing complaints

Customers' complaints are used to identify the root causes of the problems and guarantee immediate corrective or preventive actions which provide for minimizing the impact for the customers and prevent these problems from occurring again.

The principal indicators of customer satisfaction are managed jointly with research data, so as to allow ongoing improvements in our processes, as well as the periodical training of TIM's customer service frontline.

An outsourced company daily monitors our customer services by checking the adequate performance of the procedures and our ability to conduct serve customers.

In 2009, there was a reduction in the complaints against us before the Procon (consumer protection agency of the State of São Paulo). Although the complaints made directly to our Company have increased, there was also an increase in their solutions.

COMPLAINTS	2008	2009
COMPLAINTS RECEIVED:		
BY THE COMPANY	10,930,536	15,140,423
BY PROCON AND OTHER CONSUMER PROTECTION BODIES	24,549	21,699
BY ANATEL	179,266	180,132
BY THE COURTS	44,446	46,590
% OF COMPLAINTS/CRITICISMS SOLVED		
BY THE COMPANY	99.5%	99.4%
BY PROCON AND OTHER CONSUMER PROTECTION BODIES	%*	%*
BY ANATEL	89.2%	89.6%
BY THE COURTS	79.8%	%**

(\*) The percentage of complaints solved by Procon exceeded 100% once the number of actions concluded in 2008 and 2009 was higher than the number of actions received, due to the actions remaining from previous years.

(\*\*) The percentage of complaints filed with the courts exceeded 100% once the number of actions concluded in 2008 was higher than the number of actions received, due to the actions remaining from previous years.

### **Innovations implemented by interference of the Ombudsman and/or the Customer Service (SAC).**

The year 2009 saw various improvements in TIM's customer service area due to our efforts to comply with Law No. 6523. The Company's electronic assistance systems were thoroughly reviewed in order to improve the customer's understanding of the problems and ensure optimized services. We improved the clarity and objectiveness of our informational texts, simplified our *menus*, included options for immediate human assistance, and added options for cancellations and complaints. Thus, our customers can easily access the information they need and get specialized assistance.

We also implemented the system that allows the sending of recorded assistance messages whenever requested by the customer. These recordings are sent directly to the customer's residence along with a customized kit, ensuring safety and customer privacy.

Further in 2009, we have also reviewed all critical processes related to customer satisfaction, and sought to foster training, operating improvements and advances in the customers' primary communication tool with our service center, that is, the Internet.

Still in 2009, the Company implemented various management initiatives – such as the review of internal processes – related to the Customer Service area, which now reports directly to the CEO in order to allow greater agility in solving demands and improve our customers satisfaction.

### **Impact of marketing communications**

Just like all advertising and communication agencies, and communication means in general, TIM recognizes the Conar (Brazilian Advertising Self-Regulation Code) as the relevant entity that ensures ethical values in the Brazilian advertising sector. In 2009, eight communication actions were subject to filing with Conar by competitor companies, and one action was filed by Conar itself. Seven of these actions were concluded in 2009, two of which determined the suspension of the advertisement, four determined its alteration and one was dismissed as per Conar's recommendation, which was favorable to our Company.

### **Customer privacy**

In 2009, three actions were filed by customers alleging invasion of privacy. One of them was ruled invalid at the lower courts. Regarding the other two actions, TIM appealed of the adverse judgments.

**The Company's electronic assistance systems were thoroughly reviewed in order to improve understanding of the clients' problems and ensure optimized services.**

### Compliance of products and services – proceedings and fines

In 2009, the Company saw an increase in the amount of fines and indemnities determined by ANATEL and deriving from proceedings related to customers and consumers, when compared with 2008. This amount jumped from R\$89,000 in 2008 to R\$2,277 thousand in 2009. This situation was due to a concentration of decisions related to various proceedings initiated in previous years, and which were rendered final and unappealable in 2009. It is not yet possible to calculate the value of the fines imposed by the courts against our Company.

### Administrative proceedings

	CUSTOMERS/CONSUMERS		COMPETITOR COMPANIES	
	2008	2009	2008	2009
NEW PROCEEDINGS FILED IN THE YEAR	102	118	3	4
PROCEEDINGS CONCLUDED IN THE YEAR	59	33	4	4
PROCEEDINGS FILED AGAINST OUR COMPANY AND RULED VALID (FINAL JUDGMENT)	0	6	0	0
PROCEEDINGS FILED AGAINST OUR COMPANY AND RULED PARTIALLY VALID (FAVORABLE TO THE OTHER PARTY, AND DISMISSAL OF THE CASE WITH PREJUDICE)	0	0	0	1
PROCEEDINGS FILED AGAINST OUR COMPANY AND RULED INVALID (FAVORABLE TO US AND DISMISSAL OF THE CASE WITH PREJUDICE)	10	27	1	1
PROCEEDINGS DISMISSED WITHOUT JUDGMENT OF THE VALIDITY OF THE CUSTOMER/CONSUMER CLAIM	49	0	3	3

Note: Include PAVDs – Charge Investigation Proceedings and PADOs – Administrative Proceedings for Non-Compliance with Obligations

## Legal proceedings

	2008	2009
NEW PROCEEDINGS RECEIVED IN THE YEAR	44,446 CIVIL AND 23 CRIMINAL	46,590 CIVIL AND 28 CRIMINAL
PROCEEDINGS CONCLUDED IN THE YEAR	35,483 CIVIL AND 29 CRIMINAL	49,744 CIVIL AND 18 CRIMINAL
PROCEEDINGS RULED VALID (UNFAVORABLE TO US – FINAL JUDGMENT)	4,206 CIVIL	9,705 CIVIL AND 1 CRIMINAL
PROCEEDINGS RULED PARTIALLY VALID (FINAL JUDGMENT)	7,990 CIVIL	9,432 CIVIL
PROCEEDINGS RULED INVALID (FAVORABLE TO US AND DISMISSAL OF THE CASE WITH PREJUDICE)	8,427 CIVIL AND 28 CRIMINAL	10,804 CIVIL AND 16 CRIMINAL
PROCEEDINGS DECIDED THROUGH LITIGATION SETTLEMENT	14,860 CIVIL AND 1 CRIMINAL	19,803 CIVIL AND 1 CRIMINAL

## Environmental proceedings in 2009

	2009
ADMINISTRATIVE PROCEEDINGS (IN PROGRESS)	183
ADMINISTRATIVE PROCEEDINGS (NEW)	27
LEGAL PROCEEDINGS (IN PROGRESS)	43
LEGAL PROCEEDINGS (NEW)	5

## Our relationship with Society and the Government

### Anti-corruption practices

TIM adopts an active attitude towards fighting corruption. Our anti-corruption guidelines are established in various internal documents related to the conduct of our collaborators and suppliers as a whole, and include specific provisions on this issue.

In addition to the anti-corruption provisions foreseen in the Code of Ethics, we also follow the rules set forth in the MO231 Control Model. Aside from including specific rules on anti-corruption practices, the document presents conduct specifications that deal with legal and arbitration proceedings, seeking to avoid the exposure of the Organization to such risks. Corruption prevention is also present in other documents adopted by the Company, such as the Code of Business Conduct, the Guidelines for the Acquisition of Materials, Goods and Services, the Policy for Business Travel and Refunding of Expenses, Gift Management and the Policy for Distribution of Invitations to TIM's Events.

The Company does assess corruption-related risks.

The Fiscal Council, which also performs the functions of Audit Committee, may receive charges related to accountings, internal bookkeeping controls or audit subjects, as well as confidential and anonymous reports from employees working at the headquarters or affiliates on questionable issues dealing with

TIM's bookkeeping and auditing activities. In order to do so, the Fiscal Council/Audit Committee established a special procedure to receive, retain and control such charges and reports, which can be sent by *e-mail*, through the Reporting Channel, or by mail. The names of the persons sending charges and reports will be maintained in secrecy.

The Fiscal Council/Audit Committee discloses the charges and reports received over the year, as well as the results of its investigations, in the Annual Report presented at the Shareholders' Meeting. In 2009, a corruption charge was registered involving the Company or some of its collaborators. The issue was solved in compliance with the rules and procedures established by the Company and Telecom Italia Group, but, as a strictly confidential issue, its details shall not be revealed.

In 2009, no lawsuits related to corruption practices brought against us or our employees were concluded.

### Anti-corruption training

Just as in 2008, in 2009 our training activities focused on the *Sarbanes-Oxley Act* (SOX), which is widely recognized as an anti-corruption procedure regarding financial information. In 2009, 1,009 training hours were held, distributed as follows:

TYPE OF TRAINING	TOTAL HOURS	AUDIENCE
TEST OWNERS CONTROL TRAINING – SOX – 6 HOURS	156	EMPLOYEES WORKING DIRECTLY WITH SOX
OVERVIEW OF SARBANES-OXLEY ACT – SOX (2 HOURS)	106	INTERNAL PUBLIC
ETHICS PROGRAM – 1 HOUR	747	INTERNAL PUBLIC
<b>TOTAL</b>	<b>1009</b>	



The Ethics Program refers to the principles established in the Global Compact, such as the “Principle 10”, which deals with corruption. At the end of the program, a test is applied in order to facilitate the employees’ understanding, through a hypothetical situation, of the steps to be taken in a situation involving corruption.

Due to the large number of participants in 2008, in the areas of management and supervision, especially in the CRC, there was a natural reduction in the percentage of participants in 2009.

#### **Child labor and slave labor**

TIM is committed with guaranteeing the extinction of child labor and slave labor or similar activities in its operations and business chain. Such issues are discussed in the Code of Ethics, which is disclosed internally and also to the Company’s external stakeholders, through our website. Additionally, TIM is a subscriber to the Global Compact, whose guidelines foresee the commitment with these subjects, promoting them both inside and outside the Company.

All purchase agreements and orders are supported by a clause guaranteeing compliance with ethics and respect for human and labor rights, environment protection principles and anti-corruption measures, which are all foreseen in the Global Compact.

The Company does not apply specific procedures to identify operations and processes in its production chain that might be related to unfree, slave or child labor.

#### **Public policies**

In 2009, TIM participated in the following forums, associations or other groups involved in lobbies and/or formulation of public policies: National Association of Mobile Operators (ACEL): Institutional representative of mobile operators licensed with the National Telecommunications Agency (Anatel) to provide Personal

Communication Services (SMP) in Brazil. TIM has participated in ACEL since its foundation, on November 23, 1998.

Initiatives before Anatel related to public consultation processes initiated in 2009 regarding the publication of the new plan for the universalization of telecom services, implementation of the National Program on Rural Telecommunications and allocation of new bands to allow for the population to have access to services of public interest in the segments of broadband telephony and data.

Participation in the Organizing Committee and technical studies for the First National Conference on Communications (CONFECOM), held by the Ministry of Communications with the purpose of establishing a National Communications Policy, including the mechanisms that may provide for social participation within the scope of communication.

Participation in the group that supported the Ministry of Communications in the preparation of the proposals to consolidate the National Broadband Plan forwarded to the President of the Republic. The set of targets and measures aims to massify, until 2014, the access to broadband internet and foster the capacity of the Country’s telecommunications infrastructure.

Participation in the Numeric Portability Implementation Group (GIP), coordinated by Anatel.

Signature of the cooperation agreement entered into between TIM, Oi/Telemar and Brasil Telecom, and the Federal Public Prosecutors Office, Federal Police Department, Safernet, Internet Management Committee in Brazil and the National Council of General Prosecutors, aiming at preventing and fighting internet crimes against children and youngsters. The agreement is an important instrument to fight the publication of child pornography on the internet.

Joint evaluation regarding the definition of the jurisdictions and obligations of the 3G invitation to bid.

### Contributions for political parties, politicians and related institutions

Contributions to political parties are expressly prohibited as per the Code of Ethics.

### Relationship with the Community

Management of the impacts of our operations on the communities  
TIM recognizes and manages the principal aspects of its business that may impact the communities, especially regarding regulatory requirements, such as those needed to license its Base Transceiver Stations (BTSs or antennae).

The principal environmental aspects and their respective negative impacts are as follows:

- Production of waste such as no longer used cell phones, rechargers and batteries, which may cause the contamination of landfills, embankments etc., including hazardous products in case they are not disposed of properly.
- Noise and eletromagnetical emissions generated by antennae, which are monitored according with the applicable regulations.

The management of such impacts is detailed in the corresponding sections herein.

We also have specific procedures for the decommissioning of sites, which includes the closing of the operations and removal of equipment from the communities, providing for a final, adequate discharging thereof.

Due to the nature of its activities, just a few alterations were recorded in the Company's facilities, other than the creation or closing of sites. The need to open a new office was felt just a few times. On these occasions, we have always attempted to discuss our entry in the community with the locals, as, for example, the agreements entered into with the local government of Santo André (State of São Paulo) regarding the installation of a Technology Center and the investments directed to improve the areas surrounding the project.

### Investment in social and cultural projects

After the brand repositioning carried out in 2009 (*"Você, sem fronteiras"* or *"You, without borders"*), we are going through a period of transition regarding our cultural and social investments. Some large projects, such as the TIM Festival and the TIM Award are not anymore sponsored by our Company. This is one of the factors that contributed to the differences recorded in the amounts invested by us in 2008 and 2009. However, we maintained our principal social project, the *"TIM Música nas Escolas"* (Music at Schools), whose scheduled activities continued through its lifecycle in 2009.

In general, the principal criterium established to regulate TIM's private social investments is to foster the inclusion of Brazilian low-income individuals, primarily children and youngsters, by investing in educational projects which may reinforce the "no borders" concept within the social scope.

PRIVATE SOCIAL INVESTMENTS	AMOUNT (THOUSANDS) 2008	AMOUNT (THOUSANDS) 2009
EDUCATION	7,890	6,874
CULTURE	36,919	8,884
HEALTH AND SANITATION	421	139
SPORTS	488	10
FIGHTING STARVATION AND IMPROVING FOOD SAFETY	162	76
OTHERS	624	96
<b>TOTAL CONTRIBUTION TO SOCIETY</b>	<b>46,504</b>	<b>16.080</b>

Note: tax incentives are included in the above amounts and correspond to less than 5% of these investments.

## Culture

TIM is a sponsor for large cultural events such as:

### **Espaço TIM UFMG do Conhecimento (ETUC)**

ETUC, a knowledge space sponsored by TIM within the Federal University of Minas Gerais, resulted from a partnership between TIM, the Minas Gerais State Government and the Federal University of Minas Gerais (UFMG), which is represented by the Fundação de Desenvolvimento da Pesquisa (Fundep) research foundation and is responsible for the contents presented in the project.

Integrated to the so-called “*Praça da Liberdade*” Cultural Circuit, a neighborhood located downtown Belo Horizonte (State of Minas Gerais), the project, which is in progress and should be inaugurated in 2010, includes an observatory and astronomical terrace, a planetary with capacity for 80 persons, and rooms for exhibition of scientific, cultural and educational projects with capacity to receive 300,000 visitors every year.

### **Ibirapuera Auditorium and the Auditorium's School of Music**

In the past four years, TIM has maintained a fruitful partnership with the Ibirapuera Auditorium, which provided for the students attending the School of Music – children and youngsters originated from the TIM's “*Música nas Escolas*” program – to deepen their musical knowledge regarding the use of instruments making up a “Brazilian Orchestra.” Practical and theoretical classes were delivered to the students inside acoustically prepared rooms.

**In 2009, the musical education of the Peace Ambassadors reached a high practical and theoretical level that provided for the creation of six Brazilian Orchestras.**

During this period, the Company was responsible for the construction of the auditorium, which was designed by the architect Oscar Niemeyer and donated by TIM to the city of São Paulo. Tim has closely followed the development of the auditorium, and, as a sponsoring company, it has supported the maintenance of its premises and a high quality cultural program for the city population. The project supported different musical manifestations and combinations within the “no borders” concept.

## Social Projects

### ***TIM Música nas Escolas* (Music at Schools)**

Created in 2003, the project has already benefited more than 20,000 students of 62 public schools, in 13 Brazilian cities – Belém, Belo Horizonte, Cuiabá, Florianópolis, Manaus, Natal, Porto Alegre, Recife, Rio de Janeiro, Ribeirão Preto, Salvador, Santo André and São Paulo.

The structure of the “*TIM Música nas Escolas*” project relies on the musical language and has the purpose of enabling new forms of learning and improving the performance of the students, and, concomitantly, stimulating and fostering cultural expressions intended for peace.

The program is periodically evaluated by a consulting firm specializing in monitoring social investments (Hmetrics) through the use of a methodology especially developed for this purpose. The results showed that the program helped improve the students' behavior, self-respect, musical knowledge, curiosity, socialization, happiness, harmony, citizenship, critical thinking and reduced violence.

In 2009, the musical education of the Peace Ambassadors reached a high practical and theoretical level that provided for the creation of six Brazilian Orchestras. The instrumental structure and the repertoire of each group reflect the traditional styles of the regions represented by each Orchestra. In 2009, these Orchestras made a total of 48 public presentations.

The groups from Rio de Janeiro, Belo Horizonte and Natal put up 20 musical shows in their respective cities. In the last year of the cycle, the cultural circles of Natal and Belo Horizonte organized activities in schools and communities.

#### Axé Capoeira Project

This project resulted from a partnership between TIM and the NGO Projeto Axé, and counted on the participation of the Bahia State Government through the state's incentives law. In 2009, a total of 446 children and youngsters were benefited by the initiative. The project includes *capoeira* dance workshops and others, always focusing on professionalization – popular manifestations, contact dance, afro dance and modern dance, having capoeira as a parallel activity. TIM was a supporter for the Axé Capoeira project between 2005 and July 2009.



*Projeto TIM ArtEducação – Photo by Mila Petrillo*

#### TIM ArtEducação Program

This program seeks to stimulate schooling and develop self-respect and social inclusion of youngsters through music, dance, theater, *capoeira* and storytelling workshops, in addition to other forms of artistic expression.

In 2009, some 5,400 youngsters participated in the program in 13 cities in the states of Minas Gerais and Sergipe. The program was coordinated through a partnership between the NGOs Ciacen, from Sergipe, and Humanizarte, from Minas Gerais.

In addition to the positive results indicated in the program's periodical evaluations, the project has also showed a great multiplying potential, receiving the recognition of city administrations and influencing public policies, which resulted in the creation of new workshops and expansion of the project's reach and number of participants.

#### Volunteer Work

Our collaborators participate in volunteer actions supported by TIM. In 2009, such actions benefited especially children living in low-income communities in all regions where the Company operates.

# Annual Social Balance

1 – Calculation Base	2009 Value (R\$'000)			2008 Value (R\$'000)		
NET REVENUE (NR)	13,105,935*			13,147,175**		
OPERATING RESULT (OP)	220,409*			115,898		
GROSS PAYROLL (GP)	520,293			558,386***		

2 – Internal Social Indicators	Value ( ' 000)	% over GP	% over NR	Value ( ' 000)	% over GP	% over NR
FOOD	43,028	8.27%	0.33%	42,683	7.64%	0.32%
COMPULSORY SOCIAL CHARGES	131,456	25.27%	1.00%	128,584	23.03%	0.98%
PRIVATE PENSION	3,354	0.64%	0.03%	6,803	1.22%	0.05%
HEALTH	34,580	6.65%	0.26%	32,076	5.74%	0.24%
SAFETY AND HEALTH AT WORK	2,950	0.57%	0.02%	3,269	0.59%	0.02%
EDUCATION	383	0.07%	0.00%	594	0.11%	0.00%
CULTURE	0	0.00%	0.00%	0	0.00%	0.00%
QUALIFICATION AND PROFESSIONAL DEVELOPMENT	7,615	1.46%	0.06%	17,942	3.21%	0.14%
CRECHES OR ASSISTANCE WITH CRECHE	1,813	0.35%	0.01%	1,616	0.29%	0.01%
PROFIT SHARING	18,344	3.53%	0.14%	32,702	5.86%	0.25%
OTHERS	12,045	2.32%	0.09%	11,028	1.97%	0.08%
<b>TOTAL – INTERNAL SOCIAL INDICATORS</b>	<b>255,568</b>	<b>49.12%</b>	<b>1.95%</b>	<b>277,295</b>	<b>49.66%</b>	<b>2.11%</b>

3 – External Social Indicators	Value ( ' 000)	% over OP	% over NR	Value ( ' 000)	% over OP	% over NR
EDUCATION	6,874	3.12%	0.05%	7,890	6.81%	0.06%
CULTURE	8,884	4.03%	0.07%	36,919	31.85%	0.28%
HEALTH AND HYGIENE	139	0.06%	0.00%	421	0.36%	0.00%
SPORTS	10	0.00%	0.00%	488	0.42%	0.00%
COMBATING HUNGER/FOOD SECURITY	76	0.03%	0.00%	162	0.14%	0.00%
OTHERS	96	0.04%	0.00%	624	0.54%	0.00%
<b>TOTAL CONTRIBUTIONS TO SOCIETY</b>	<b>16,080</b>	<b>7.30%</b>	<b>0.12%</b>	<b>46,504</b>	<b>40.12%</b>	<b>0.35%</b>
TAXES (NET OF SOCIAL CHARGES)	4,701,018	2132.86%	35.87%	4,546,474	3922.82%	34.58%
<b>TOTAL – EXTERNAL SOCIAL INDICATORS</b>	<b>4,717,098</b>	<b>2140.16%</b>	<b>35.99%</b>	<b>4,592,978</b>	<b>3962.95%</b>	<b>34.94%</b>

4 – Environmental Indicators	Value ( ' 000)	% over OP	% over NR	Value ( ' 000)	% over OP	% over NR
INVESTMENTS RELATED TO PRODUCTION/ OPERATION	219	0.10%	0.00%	313	0.27%	0.00%
INVESTMENTS IN EXTERNAL PROGRAMS AND/OR PROJECTS	0	0.00%	0.00%	51	0.04%	0.00%
<b>TOTAL INVESTMENTS IN THE ENVIRONMENT</b>	<b>219</b>	<b>0.10%</b>	<b>0.00%</b>	<b>364</b>	<b>0.31%</b>	<b>0.00%</b>

IN TERMS OF ESTABLISHING “ANNUAL TARGETS”	( ) no targets	(X) no targets
TO MINIMIZE WASTE, THE GENERAL LEVEL OF	( ) complied between 0% and 50%	( ) complied between 0% and 50%
CONSUMPTION IN PRODUCTION/OPERATION	( ) complied between 51% and 75%	( ) complied between 51% and 75%
AND INCREASE THE EFFICIENCY IN THE USE OF	(X) complied between 76% and 100%	( ) complied between 76% and 100%
NATURAL RESOURCES, THE COMPANY:		

<b>5 – Work Force Indicators</b>	<b>2009</b>	<b>2008</b>
NO. OF EMPLOYEES AT THE END OF THE PERIOD	9,231	10,296
NO. OF ADMISSIONS DURING THE PERIOD	2,041	3,662
NO. OF OUTSOURCED EMPLOYEES	527	723
NO. OF TRAINEES	224	297
NO. OF EMPLOYEES OVER 45	37	366
NO. OF WOMAN WORKING AT THE COMPANY	5,730	6,453***
% OF MANAGEMENT POSITIONS OCCUPIED BY WOMAN	32.76%	22.71%
NO. OF BLACK PEOPLE WORKING AT THE COMPANY	1,867	1,962
% OF MANAGEMENT POSITIONS OCCUPIED BY BLACK PEOPLE	2.12%	4.31%***
NO. OF DISABLED OR SPECIAL NEEDS EMPLOYEES	48	59

#### **6 – Relevant information to the financial year of business citizenship**

	<b>2009</b>	<b>Goals 2010</b>
RELATIONSHIP BETWEEN THE HIGHEST AND LOWEST SALARY PAID BY THE COMPANY	197	105
TOTAL NUMBER OF ACCIDENTS AT WORK	102	110
THE SOCIAL AND ENVIRONMENTAL PROJECTS DEVELOPED BY THE COMPANY WERE DEFINED BY:	2009 ( ) directors (X) directors and managers ( ) all employees Targets 2010 ( ) directors (X) directors and managers ( ) all employees	
THE SAFETY STANDARDS OF THE WORK ENVIRONMENT WERE DEFINED BY:	2009 ( ) directors (X) directors and managers ( ) all employees ( ) all + Cipa Targets 2010 ( ) directors (X) directors and managers ( ) all employees ( ) all + Cipa	
IN TERMS OF THE FREEDOM TO JOIN UNIONS, THE RIGHT TO COLLECTIVE NEGOTIATION AND INTERNAL REPRESENTATION FOR EMPLOYEES, THE COMPANY:	2009 ( ) does not get involved (X) follow OIT norms ( ) encourage and follow OIT norms Targets 2010 ( ) does not get involved (X) follow OIT norms ( ) encourage and follow OIT norms	
PRIVATE PENSIONS INCLUDE:	2009 ( ) directors ( ) directors and managers (X) all employees Targets 2010 ( ) directors ( ) directors and managers (X) all employees	
PROFIT-SHARING (OR RESULTS) INCLUDE:	2009 ( ) directors ( ) directors and managers (X) all employees Targets 2010 ( ) directors ( ) directors and managers (X) all employees	
IN THE SELECTION OF SUPPLIERS, THE SAME ETHICAL STANDARDS AND SOCIAL AND ENVIRONMENTAL RESPONSIBILITY ADOPTED BY THE COMPANY:	2009 ( ) are not considered (X) are suggested ( ) are required Targets 2010 ( ) will not be considered (X) will not be suggested ( ) will be required	
IN TERMS OF EMPLOYEE PARTICIPATION IN VOLUNTARY WORK PROGRAMS, THE COMPANY:	2009 ( ) does not get involved (X) supports ( ) organizes and encourages Targets 2010 ( ) will not get involves (X) will support ( ) organizes and encourages	
TOTAL NUMBERS OF COMPLAINTS AND CRITICISM FROM CONSUMERS:	2009 in the Company 15,140,423 in Procon 21,699 in Court 46,590 Targets 2010 in the Company n.a. in Procon n.a. in Court n.a.	
% OF COMPLAINTS AND CRITICISM ANSWERED OR RESOLVED:	2009 in the Company 99.4% in Procon %**** in Court %**** Targets 2010 in the Company n.a. in Procon n.a. in Court n.a.	
<b>Total added value to distribute (R\$'000)</b>	<b>In 2009: 6,824,015</b>	<b>In 2008: 7,123,032</b>
DISTRIBUTION OF VALUE ADDED (DVA):	70.4% government 7.0% employees 3.0% shareholders 19.4% third parties 0.2% retained	65.2% government 7.7% employees 2.4% shareholders 24.5% third parties 0.1% retained

#### **7 – Other Information**

(\*) Includes one Month's Result For Intelig, a subsidiary of Tim Participações S.A.

(\*\*) Adjusted as per The Financial Statements.

(\*\*\*) Corrected.

(\*\*\*\*) The Percentage of Complaints Solved exceeded 100%, once the number of actions concluded in 2009 was higher than the number of actions received, due to the actions remaining from previous year.

# Global Compact

Global Compact website link: [www.unglobalcompact.org](http://www.unglobalcompact.org)

## 10 Principles

### Principle of the Global Compact

#### Human Rights

**Principle 1:** Businesses should support and respect the protection of internationally proclaimed human rights;

**Principle 2:** Make sure that they are not complicit in human rights abuses.

#### Labour rights

**Principle 3:** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

**Principle 4:** The elimination of all forms of forced and compulsory labour;

**Principle 5:** The effective abolition of child labour;

**Principle 6:** The elimination of discrimination in respect of employment and occupation.

#### Environmental protection

**Principle 7:** Businesses are asked to support a precautionary approach to environmental challenges;

**Principle 8:** Undertake initiatives to promote greater environmental responsibility;


**Principle 9:** Encourage the development and diffusion of environmentally friendly technologies.

#### Fight against corruption

**Principle 10:** Businesses should work against corruption in all its forms, including extortion and bribery.



# GRI Summary

		C	C+	B	B+	A	A+
Optional	Mandatory	Self Declared		✓			
	Third Party Checked		Report Externally Assured	✓	Report Externally Assured		Report Externally Assured
	GRI Checked						

Profile	Page
<b>Strategy and Analysis</b>	
1.1 STATEMENT FROM THE MOST SENIOR DECISIONMAKER OF THE ORGANIZATION EQUIVALENT SENIOR POSITION ABOUT THE RELEVANCE OF SUSTAINABILITY TO THE ORGANIZATION AND ITS STRATEGY	3 and 4
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<b>Organizational Profile</b>	
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2.4 LOCATION OF ORGANIZATION'S HEADQUARTERS	15
2.5 NUMBER OF COUNTRIES WHERE THE ORGANIZATION OPERATES, AND NAMES OF COUNTRIES WITH EITHER MAJOR OPERATIONS OR THAT ARE SPECIFICALLY RELEVANT TO THE SUSTAINABILITY ISSUES COVERED IN THE REPORT	15
2.6 NATURE OF OWNERSHIP AND LEGAL FORM	15 and 16
2.7 MARKETS SERVED (INCLUDING GEOGRAPHIC BREAKDOWN, SECTORS SERVED, AND TYPES OF CUSTOMERS/BENEFICIARIES)	15
2.8 SCALE OF THE REPORTING ORGANIZATION	15 and 16
2.9 SIGNIFICANT CHANGES DURING THE REPORTING PERIOD REGARDING SIZE, STRUCTURE, OR OWNERSHIP	15
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3.8 BASIS FOR REPORTING ON JOINT VENTURES, SUBSIDIARIES, LEASED FACILITIES, OUTSOURCED OPERATIONS, AND OTHER ENTITIES THAT CAN SIGNIFICANTLY AFFECT COMPARABILITY FROM PERIOD TO PERIOD AND/OR BETWEEN ORGANIZATIONS	17
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3.10 EXPLANATION OF THE EFFECT OF ANY RE-STATEMENTS OF INFORMATION PROVIDED IN EARLIER REPORTS, AND THE REASONS FOR SUCH RE-STATEMENT (E.G., MERGERS/ ACQUISITIONS, CHANGE OF BASE YEARS/PERIODS, NATURE OF BUSINESS, MEASUREMENT METHODS)	17
3.11 SIGNIFICANT CHANGES FROM PREVIOUS REPORTING PERIODS IN THE SCOPE, BOUNDARY, OR MEASUREMENT METHODS APPLIED IN THE REPORT	17
3.12 TABLE IDENTIFYING THE LOCATION OF THE STANDARD DISCLOSURES IN THE REPORT	
3.13 POLICY AND CURRENT PRACTICE WITH REGARD TO SEEKING EXTERNAL ASSURANCE FOR THE REPORT. IF NOT INCLUDED IN THE ASSURANCE REPORT ACCOMPANYING THE SUSTAINABILITY REPORT, EXPLAIN THE SCOPE AND BASIS OF ANY EXTERNAL ASSURANCE PROVIDED. ALSO EXPLAIN THE RELATIONSHIP BETWEEN THE REPORTING ORGANIZATION AND THE ASSURANCE PROVIDER(S)	17

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4.3	FOR ORGANIZATIONS THAT HAVE A UNITARY BOARD STRUCTURE, STATE THE NUMBER OF MEMBERS OF THE HIGHEST GOVERNANCE BODY THAT ARE INDEPENDENT AND/OR NON-EXECUTIVE MEMBERS	20 and 21
4.4	MECHANISMS FOR SHAREHOLDERS AND EMPLOYEES TO PROVIDE RECOMMENDATIONS OR DIRECTION TO THE HIGHEST GOVERNANCE BODY	21
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4.7	PROCESS FOR DETERMINING THE QUALIFICATIONS AND EXPERTISE OF THE MEMBERS OF THE HIGHEST GOVERNANCE BODY FOR GUIDING THE ORGANIZATION'S STRATEGY ON ECONOMIC, ENVIRONMENTAL, AND SOCIAL TOPICS	22
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4.9	PROCEDURES OF THE HIGHEST GOVERNANCE BODY FOR OVERSEEING THE ORGANIZATION'S IDENTIFICATION AND MANAGEMENT OF ECONOMIC, ENVIRONMENTAL, AND SOCIAL PERFORMANCE, INCLUDING RELEVANT RISKS AND OPPORTUNITIES, AND ADHERENCE OR COMPLIANCE WITH INTERNATIONALLY AGREED STANDARDS, CODES OF CONDUCT, AND PRINCIPLES	23
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4.11	EXPLANATION OF WHETHER AND HOW THE PRECAUTIONARY APPROACH OR PRINCIPLE IS ADDRESSED BY THE ORGANIZATION	30 and 31
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4.13	MEMBERSHIPS IN ASSOCIATIONS (SUCH AS INDUSTRY ASSOCIATIONS) AND/OR NATIONAL/INTERNATIONAL ADVOCACY ORGANIZATIONS IN WHICH THE ORGANIZATION: HAS POSITIONS IN GOVERNANCE BODIES; PARTICIPATES IN PROJECTS OR COMMITTEES; PROVIDES SUBSTANTIVE FUNDING BEYOND ROUTINE MEMBERSHIP DUES; OR VIEWS MEMBERSHIP AS STRATEGIC	13, 25
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4.17	KEY TOPICS AND CONCERNS THAT HAVE BEEN RAISED THROUGH STAKEHOLDER ENGAGEMENT, AND HOW THE ORGANIZATION HAS RESPONDED TO THOSE KEY TOPICS AND CONCERNS, INCLUDING THROUGH ITS REPORTING	18 and 19, 24 to 27

INDICATORS	Audited	Page	Global Compact – COP
ECONOMIC PERFORMANCE INDICATORS			
EC1: DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED	✓	29	
EC2: FINANCIAL IMPLICATIONS AND OTHER RISKS AND OPPORTUNITIES FOR THE ORGANIZATION'S ACTIVITIES DUE TO CLIMATE CHANGE	✓	30 and 31	Principle 7
EC3: COVERAGE OF THE ORGANIZATION'S DEFINED BENEFIT PLAN OBLIGATIONS	✓	31 and 33	
EC4: SIGNIFICANT FINANCIAL ASSISTANCE RECEIVED FROM GOVERNMENT	✓	29	
EC5: RANGE OF RATIOS OF STANDARD ENTRY LEVEL WAGE COMPARED TO LOCAL MINIMUM WAGE AT SIGNIFICANT LOCATIONS OF OPERATION	✓	33	Principles 1 and 2
EC6: POLICY, PRACTICES, AND PROPORTION OF SPENDING ON LOCALLY-BASED SUPPLIERS AT SIGNIFICANT LOCATIONS OF OPERATION		-	
EC7: PROCEDURES FOR LOCAL HIRING AND PROPORTION OF SENIOR MANAGEMENT HIRED FROM THE LOCAL COMMUNITY AT LOCATIONS OF SIGNIFICANT OPERATION		-	
EC8: DEVELOPMENT AND IMPACT OF INFRASTRUCTURE INVESTMENTS AND SERVICES PROVIDED PRIMARILY FOR PUBLIC BENEFIT THROUGH COMMERCIAL, INKIND, OR PRO BONO ENGAGEMENT	✓	35	
EC9: UNDERSTANDING AND DESCRIBING SIGNIFICANT INDIRECT ECONOMIC IMPACTS, INCLUDING THE EXTENT OF IMPACTS		35 and 36	
ENVIRONMENTAL PERFORMANCE INDICATORS			
EN1: MATERIALS USED BY WEIGHT OR VOLUME		39	Principle 8
EN2: PERCENTAGE OF MATERIALS USED THAT ARE RECYCLED INPUT MATERIALS		40	Principles 8 and 9
EN3: DIRECT ENERGY CONSUMPTION BY PRIMARY ENERGY SOURCE		41 and 42	
EN4: INDIRECT ENERGY CONSUMPTION BY PRIMARY SOURCE		41 and 42	Principle 8
EN5: ENERGY SAVED DUE TO CONSERVATION AND EFFICIENCY IMPROVEMENTS		42 and 43	Principles 8 and 9
EN6: INITIATIVES TO PROVIDE ENERGY-EFFICIENT OR RENEWABLE ENERGY BASED PRODUCTS AND SERVICES, AND REDUCTIONS IN ENERGY REQUIREMENTS AS A RESULT OF THESE INITIATIVES		43 and 44	Principles 8 and 9
EN7: INITIATIVES TO REDUCE INDIRECT ENERGY CONSUMPTION AND REDUCTIONS ACHIEVED		-	
EN8: TOTAL WATER WITHDRAWAL BY SOURCE		45	Principle 8
EN9: WATER SOURCES SIGNIFICANTLY AFFECTED BY WITHDRAWAL OF WATER	✓	45	Principle 8
EN10: PERCENTAGE AND TOTAL VOLUME OF WATER RECYCLED AND REUSED		45	Principle 8
EN11: LOCATION AND SIZE OF LAND OWNED, LEASED, MANAGED IN, OR ADJACENT TO, PROTECTED AREAS AND AREAS OF HIGH BIODIVERSITY VALUE OUTSIDE PROTECTED AREAS		-	
EN12: DESCRIPTION OF SIGNIFICANT IMPACTS OF ACTIVITIES, PRODUCTS, AND SERVICES ON BIODIVERSITY IN PROTECTED AREAS AND AREAS OF HIGH BIODIVERSITY VALUE OUTSIDE PROTECTED AREAS		-	
EN13: HABITATS PROTECTED OR RESTORED.		-	
EN14: STRATEGIES, CURRENT ACTIONS, AND FUTURE PLANS FOR MANAGING IMPACTS ON BIODIVERSITY		-	
EN15: NUMBER OF IUCN RED LIST SPECIES AND NATIONAL CONSERVATION LIST SPECIES WITH HABITATS IN AREAS AFFECTED BY OPERATIONS, BY LEVEL OF EXTINCTION RISK		-	

INDICATORS	Audited	Page	Global Compact – COP
EN16: TOTAL DIRECT AND INDIRECT GREENHOUSE GAS EMISSIONS BY WEIGHT		47 and 48	Principles 7, 8 and 9
EN17: OTHER RELEVANT INDIRECT GREENHOUSE GAS EMISSIONS BY WEIGHT		47 and 48	Principles 7, 8 and 9
EN18: INITIATIVES TO REDUCE GREENHOUSE GAS EMISSIONS AND REDUCTIONS ACHIEVED		-	
EN19: EMISSIONS OF OZONE-DEPLETING SUBSTANCES BY WEIGHT		-	
EN20: NO <sub>x</sub> , SO <sub>x</sub> AND OTHER SIGNIFICANT AIR EMISSIONS BY TYPE AND WEIGHT		-	
EN21: TOTAL WATER DISCHARGE BY QUALITY AND DESTINATION		48	Principle 8
EN22: TOTAL WEIGHT OF WASTE BY TYPE AND DISPOSAL METHOD		50 and 51	Principle 8
EN23: TOTAL NUMBER AND VOLUME OF SIGNIFICANT SPILLS	✓	52	
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EN26: INITIATIVES TO MITIGATE ENVIRONMENTAL IMPACTS OF PRODUCTS AND SERVICES, AND EXTENT OF IMPACT MITIGATION		52 and 53	Principles 7, 8 and 9
EN27: PERCENTAGE OF PRODUCTS SOLD AND THEIR PACKAGING MATERIALS THAT ARE RECLAIMED BY CATEGORY		-	
EN28: MONETARY VALUE OF SIGNIFICANT FINES AND TOTAL NUMBER OF NON-MONETARY SANCTIONS FOR NONCOMPLIANCE WITH ENVIRONMENTAL LAWS AND REGULATIONS	✓	53 and 54	Principle 8
EN29: SIGNIFICANT ENVIRONMENTAL IMPACTS OF TRANSPORTING PRODUCTS AND OTHER GOODS AND MATERIALS USED FOR THE ORGANIZATION'S OPERATIONS, AND TRANSPORTING MEMBERS OF THE WORKFORCE		-	
EN30: TOTAL ENVIRONMENTAL PROTECTION EXPENDITURES AND INVESTMENTS BY TYPE	✓	54	Principle 8 and 9
LABOR PRACTICES AND DECENT WORK PERFORMANCE INDICATORS			
LA1: TOTAL WORKFORCE BY EMPLOYMENT TYPE, EMPLOYMENT CONTRACT, AND REGION		-	
LA2: TOTAL NUMBER AND RATE OF EMPLOYEE TURNOVER BY AGE GROUP, GENDER, AND REGION		62	
LA3: BENEFITS PROVIDED TO FULL-TIME EMPLOYEES THAT ARE NOT PROVIDED TO TEMPORARY OR PART-TIME EMPLOYEES, BY MAJOR OPERATIONS		63	
LA4: PERCENTAGE OF EMPLOYEES COVERED BY COLLECTIVE BARGAINING AGREEMENTS	✓	64	Principle 3
LA5: MINIMUM NOTICE PERIOD(S) REGARDING OPERATIONAL CHANGES, INCLUDING WHETHER IT IS SPECIFIED IN COLLECTIVE AGREEMENTS	✓	64	Principle 3
LA6: PERCENTAGE OF TOTAL WORKFORCE REPRESENTED IN FORMAL JOINT MANAGEMENT–WORKER HEALTH AND SAFETY COMMITTEES THAT HELP MONITOR AND ADVISE ON OCCUPATIONAL HEALTH AND SAFETY PROGRAMS		65	Principle 1
LA7: RATES OF INJURY, OCCUPATIONAL DISEASES, LOST DAYS, AND ABSENTEEISM, AND NUMBER OF WORK-RELATED FATALITIES BY REGION		65 and 66	Principle 1

INDICATORS	Audited	Page	Global Compact – COP
LA8: EDUCATION, TRAINING, COUNSELING, PREVENTION, AND RISK-CONTROL PROGRAMS IN PLACE TO ASSIST WORKFORCE MEMBERS, THEIR FAMILIES, OR COMMUNITY MEMBERS REGARDING SERIOUS DISEASES	✓	65	Principle 1
LA9: HEALTH AND SAFETY TOPICS COVERED IN FORMAL AGREEMENTS WITH TRADE UNIONS		-	
LA10: AVERAGE HOURS OF TRAINING PER YEAR PER EMPLOYEE BY EMPLOYEE CATEGORY		-	
LA11: PROGRAMS FOR SKILLS MANAGEMENT AND LIFELONG LEARNING THAT SUPPORT THE CONTINUED EMPLOYABILITY OF EMPLOYEES AND ASSIST THEM IN MANAGING CAREER ENDINGS	✓	67	
LA12: PERCENTAGE OF EMPLOYEES RECEIVING REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEWS		68	
LA13: COMPOSITION OF GOVERNANCE BODIES AND BREAKDOWN OF EMPLOYEES PER CATEGORY ACCORDING TO GENDER, AGE GROUP, MINORITY GROUP MEMBERSHIP, AND OTHER INDICATORS OF DIVERSITY	✓	59 and 61	Principle 6
LA14: RATIO OF BASIC SALARY OF MEN TO WOMEN BY EMPLOYEE CATEGORY.		61	
HUMAN RIGHTS PERFORMANCE INDICATORS			
HR1: PERCENTAGE AND TOTAL NUMBER OF SIGNIFICANT INVESTMENT AGREEMENTS THAT INCLUDE HUMAN RIGHTS CLAUSES OR THAT HAVE UNDERGONE HUMAN RIGHTS SCREENING		-	
HR2: PERCENTAGE OF SIGNIFICANT SUPPLIERS AND CONTRACTORS THAT HAVE UNDERGONE SCREENING ON HUMAN RIGHTS AND ACTIONS TAKEN		-	
HR3: TOTAL HOURS OF EMPLOYEE TRAINING ON POLICIES AND PROCEDURES CONCERNING ASPECTS OF HUMAN RIGHTS THAT ARE RELEVANT TO OPERATIONS, INCLUDING THE PERCENTAGE OF EMPLOYEES TRAINED		-	
HR4: TOTAL NUMBER OF INCIDENTS OF DISCRIMINATION AND ACTIONS TAKEN		-	
HR5: OPERATIONS IDENTIFIED IN WHICH THE RIGHT TO EXERCISE FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING MAY BE AT SIGNIFICANT RISK, AND ACTIONS TAKEN TO SUPPORT THESE RIGHTS	✓	64	Principle 3
HR6: OPERATIONS IDENTIFIED AS HAVING SIGNIFICANT RISK FOR INCIDENTS OF CHILD LABOR, AND MEASURES TAKEN TO CONTRIBUTE TO THE ELIMINATION OF CHILD LABOR	✓	75	Principles 4 and 5
HR7: OPERATIONS IDENTIFIED AS HAVING SIGNIFICANT RISK FOR INCIDENTS OF FORCED OR COMPULSORY LABOR, AND MEASURES TO CONTRIBUTE TO THE ELIMINATION OF FORCED OR COMPULSORY LABOR	✓	75	Principles 4 and 5
HR8: PERCENTAGE OF SECURITY PERSONNEL TRAINED IN THE ORGANIZATION'S POLICIES OR PROCEDURES CONCERNING ASPECTS OF HUMAN RIGHTS THAT ARE RELEVANT TO OPERATIONS		-	
HR9: TOTAL NUMBER OF INCIDENTS OF VIOLATIONS INVOLVING RIGHTS OF INDIGENOUS PEOPLE AND ACTIONS TAKEN		-	
SOCIETY PERFORMANCE INDICATORS			
SO1: NATURE, SCOPE, AND EFFECTIVENESS OF ANY PROGRAMS AND PRACTICES THAT ASSESS AND MANAGE THE IMPACTS OF OPERATIONS ON COMMUNITIES, INCLUDING ENTERING, OPERATING, AND EXITING	✓	76	Principles 7 and 8
SO2: PERCENTAGE AND TOTAL NUMBER OF BUSINESS UNITS ANALYZED FOR RISKS RELATED TO CORRUPTION	✓	74	Principle 10
SO3: PERCENTAGE OF EMPLOYEES TRAINED IN ORGANIZATION'S ANTI-CORRUPTION POLICIES AND PROCEDURES		74 and 75	Principle 10

INDICATORS	Audited	Page	Global Compact – COP
SO4: ACTIONS TAKEN IN RESPONSE TO INCIDENTS OF CORRUPTION		74	Principle 10
SO5: PUBLIC POLICY POSITIONS AND PARTICIPATION IN PUBLIC POLICY DEVELOPMENT AND LOBBYING	✓	75	
SO6: TOTAL VALUE OF FINANCIAL AND IN-KIND CONTRIBUTIONS TO POLITICAL PARTIES, POLITICIANS, AND RELATED INSTITUTIONS BY COUNTRY	✓	76	Principle 10
SO7: TOTAL NUMBER OF LEGAL ACTIONS FOR ANTICOMPETITIVE BEHAVIOR, ANTI-TRUST, AND MONOPOLY PRACTICES AND THEIR OUTCOMES		-	
SO8: MONETARY VALUE OF SIGNIFICANT FINES AND TOTAL NUMBER OF NON-MONETARY SANCTIONS FOR NONCOMPLIANCE WITH LAWS AND REGULATIONS		-	
PRODUCT RESPONSIBILITY PERFORMANCE INDICATORS			
PR1: LIFE CYCLE STAGES IN WHICH HEALTH AND SAFETY IMPACTS OF PRODUCTS AND SERVICES ARE ASSESSED FOR IMPROVEMENT, AND PERCENTAGE OF SIGNIFICANT PRODUCTS AND SERVICES CATEGORIES SUBJECT TO SUCH PROCEDURES		-	
PR2: TOTAL NUMBER OF INCIDENTS OF NON-COMPLIANCE WITH REGULATIONS AND VOLUNTARY CODES CONCERNING HEALTH AND SAFETY IMPACTS OF PRODUCTS AND SERVICES DURING THEIR LIFE CYCLE, BY TYPE OF OUTCOMES		-	
PR3: TYPE OF PRODUCT AND SERVICE INFORMATION REQUIRED BY PROCEDURES, AND PERCENTAGE OF SIGNIFICANT PRODUCTS AND SERVICES SUBJECT TO SUCH INFORMATION REQUIREMENTS		-	
PR4: TOTAL NUMBER OF INCIDENTS OF NON-COMPLIANCE WITH REGULATIONS AND VOLUNTARY CODES CONCERNING PRODUCT AND SERVICE INFORMATION AND LABELING, BY TYPE OF OUTCOMES		-	
PR5: PRACTICES RELATED TO CUSTOMER SATISFACTION, INCLUDING RESULTS OF SURVEYS MEASURING CUSTOMER SATISFACTION	✓	69 to 71	
PR6: PROGRAMS FOR ADHERENCE TO LAWS, STANDARDS, AND VOLUNTARY CODES RELATED TO MARKETING COMMUNICATIONS, INCLUDING ADVERTISING, PROMOTION, AND SPONSORSHIP	✓	71	Principles 1 and 2
PR7: TOTAL NUMBER OF INCIDENTS OF NON-COMPLIANCE WITH REGULATIONS AND VOLUNTARY CODES CONCERNING MARKETING COMMUNICATIONS, INCLUDING ADVERTISING, PROMOTION, AND SPONSORSHIP BY TYPE OF OUTCOMES	✓	71	
PR8: TOTAL NUMBER OF SUBSTANTIATED COMPLAINTS REGARDING BREACHES OF CUSTOMER PRIVACY AND LOSSES OF CUSTOMER DATA	✓	71	
PR9: MONETARY VALUE OF SIGNIFICANT FINES FOR NONCOMPLIANCE WITH LAWS AND REGULATIONS CONCERNING THE PROVISION AND USE OF PRODUCTS AND SERVICES		72 and 73	
GOALS AND ACCOUNTABILITY			
OUR EFFORTS IN 2009	✓	6	Principles 7, 8 and 9
COMMITMENTS FOR 2010	✓	74	Principles 7, 8 and 9



#### TIM Participações S.A

Sustainability Area

sustentabilidade@timbrasil.com.br

Av. das Américas, 3434, bloco 1, 6º andar

Barra da Tijuca, Rio de Janeiro, RJ, Brasil

CEP: 22640-102

## Limited Assurance Report of Independent Auditors on Sustainability Report

### The Management and Shareholders of **TIM Participações S.A.**

1. We have applied limited assurance procedures to certain information related to 10 targets and 27 indicators contained in the Sustainability Report of TIM Participações S.A. ("TIM Participações", "Company" or "TIM"), for the year ended December 31, 2009, prepared under the responsibility of the Company's management. Our responsibility is to issue a limited assurance report on the information related to these indicators disclosed in the referred to Sustainability Report.
2. The limited assurance procedures were performed in accordance with NPO 1 – Assurance Standard and Procedures issued by IBRACON - the Brazilian Institute of Independent Auditors -, which is related to assurance engagements other than audits or reviews of historical financial information. These procedures comprised: (a) the planning of our work, taking into consideration the materiality and volume of both qualitative and quantitative information and the related internal controls of the Company; (b) inquiries of and discussion with TIM professionals to understand the main criteria and assumptions that served as a basis for preparation of the Company's Sustainability Report; (c) validation, on a test sampling basis, of evidence supporting qualitative and quantitative data in the Sustainability Report; and (d) comparison of the information contained in the Sustainability Report with GRI-G3 requirements.
3. The objective of our work was to ascertain whether the data included in the TIM Sustainability Report as respects obtaining qualitative information and measuring and calculating quantitative information is in accordance with the guidelines for sustainability reports provided for in the Global Reporting Initiative (GRI-G3). Opinions, historical and market information and forecasts, as well as descriptive information subject to subjective assessments, are not included in the scope of the work performed. As a consequence, our report does not provide any limited or reasonable assurance as to this information.
4. According to the GRI-G3 guidelines, TIM declares an Application Level B+ for its Sustainability Report for the year ended December 31, 2009, which reports 51 indicators, including core and additional ones. Our procedures, applied to 10 targets and 27 of these indicators, were deemed sufficient to confirm that the application level declared by TIM to the indicators thus reviewed is in accordance with the GRI-G3 guidelines. The targets and indicators subjected to our limited assurance procedures are as follows:



**Targets:**

Training – management participation in at least one sustainability-related training program;

Training coverage (percentage of employees participating in at least one training program);

Reduction in the amount of paper purchased for use at the offices;

Increase in the percentage of recycled waste in relation to total waste generated at the offices;

Increase in the collection of unwanted cell phones, batteries and other accessories;

Sustainability Assessment Index of major suppliers;

Employee satisfaction survey;

Reduction in turnover;

Reduction in the absenteeism rate;

Training programs – total number of hours in the different modalities.

**Indicators:**

EC1: Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments;

EC2: Financial implications and other risks and opportunities for the organization's activities due to climate changes;

EC3: Coverage of the organization's defined benefit pension plan obligations;

EC4: Significant financial assistance received from the government;

EC5: Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation;

EC8: Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro bono engagement;

EN9: Water sources significantly affected by withdrawal of water;

EN23: Total number and volume of significant spills;

EN28: Monetary value of significant fines and the total number of non-monetary sanctions for non-compliance with environmental laws and regulation;

EN30: Total investment and spending on environmental protection, by type;

HR5: Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights;

HR6: Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor;

HR7: Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor;

LA1: Total workforce by employment type, employment contract and region;

LA4: Percentage of employees covered by collective bargaining agreements;

LA5: The minimum time period for advance notification regarding changes to operations, including whether this procedure is specified in collective bargaining agreements;

LA8: Education, training, counseling, prevention and risk-control programs in place to assist workforce members, their families or community members regarding serious diseases;

LA11: Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings;

LA13: Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other diversity indicators;

PR5: Practices related to customer satisfaction, including results of surveys measuring such satisfaction;

PR6: Programs for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship;

PR7: Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship, by type of outcomes;

PR8: Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data;

SO1: Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting;

SO2: Percentage and total number of business units analyzed for risks related to corruption;

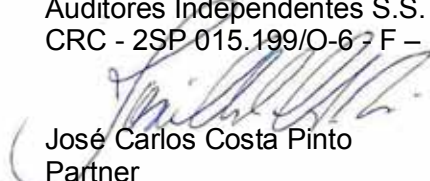
SO5: Public policy positions and participation in public policy development and lobbying; and

SO6: Total value of financial and in-kind contributions to political parties and related institutions, by country.

5. Based on our work as described in this report, we are not aware of any relevant modification that should be made to the information related to the 10 targets and 27 reviewed indicators contained in TIM's Sustainability Report for the year ended December 31, 2009 for it to be disclosed in accordance with the GRI-G3 guidelines.
6. The information contained in the TIM Sustainability Report for year 2008, presented for comparison purposes, was not revised by any independent auditors.

Rio de Janeiro, April 20, 2010

ERNST & YOUNG  
Auditores Independentes S.S.  
CRC - 2SP 015.199/O-6 - F - RJ

A handwritten signature in blue ink, appearing to read 'José Carlos Costa Pinto', is placed over the printed name and title.

José Carlos Costa Pinto  
Partner  
Accountant CRC - 1RJ 066.960/O-9